



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Shola Olatoye
Director, Housing and
Community Development

SUBJECT: FEMA Grant for Residential Soft Story
Seismic Retrofits

DATE: February 7, 2022

City Administrator Approval

Date: Mar 3, 2022

RECOMMENDATION

Staff Recommends That City Council Adopt A Resolution:

- 1) Authorizing The City Administrator To Apply For, Accept, And Appropriate Up To Ten Million Dollars (\$10,000,000) In Hazard Mitigation Grant Program Funds From The Federal Emergency Management Agency (FEMA) And The Governor's Office Of Emergency Services (CalOES); And**
- 2) Authorizing The City Administrator To Apply For, Accept, And Appropriate Up To Three Million Three Hundred Thirty-Three Thousand Three Hundred Thirty-Three Dollars (\$3,333,333) In Prepare California Program Funds From CalOES To Continue The Soft Story Apartment Seismic Retrofit Grant Program.**

EXECUTIVE SUMMARY

Approval of the proposed resolution will authorize the City Administrator to apply for, accept, and appropriate up to \$10,000,000 of funds from the Hazard Mitigation Grant Program (HMGP)¹ administered by the Federal Emergency Management Agency (FEMA) and the California Governor's Office of Emergency Services (CalOES), as well as up to \$3,333,333 of matching funds from CalOES through the Prepare California² initiative, for a total of up to \$13,333,333. The supplementary Prepare California funding would cover the 25% local match required by the HMGP grant, resulting in no need for commitment of City funds.

This combined grant will extend funding through 2025 for the existing Safer Housing for Oakland Program (SHOP), a soft story apartment seismic retrofit grant program funded through a prior HMGP award that will expire in March of 2022. The new funding will target soft story buildings in low- to moderate-income areas, those that receive public funds for affordable housing, and those with greater ground-floor hazard risks. If awarded, all grant funds must be fully expended and projects completed within 36 months of the award.

¹ <https://www.caloes.ca.gov/cal-oes-divisions/recovery/public-assistance/404-hazard-mitigation-grant-program>

² <https://www.caloes.ca.gov/cal-oes-divisions/recovery/disaster-mitigation-technical-support/prepare-california>

BACKGROUND / LEGISLATIVE HISTORY

In June 2016, the City applied for and was awarded HMGP funding from FEMA that resulted in the creation of the SHOP Program for “soft story” apartment buildings of 5 or more units. SHOP received 250 applications for that initial award. Before the construction phase of that grant ends in March of 2022, SHOP expects to expend the entire grant, meeting our goal of retrofitting 39 buildings, and improving housing safety and stability for 586 Oakland households. The Planning and Building Department estimates that there are 2,300 soft story buildings in Oakland that remain vulnerable due to this soft story condition. The Department of Housing and Community Development (HCD) now seeks to pursue additional HMGP funding to retrofit more soft story structures, including properties that were not selected or completed under the current award due to limited time and resources.

On March 20, 2020, President Donald J Trump declared disaster DR-4288 in California based on emergency needs related to the COVID-19 Pandemic, triggering additional FEMA HMGP funding opportunities for the State of California. CalOES is responsible for administering State HMGP funds to subrecipients, identifying program priorities, reviewing sub-applications, and forwarding the recommendations to FEMA, which has final approval of activity eligibility and sub-recipient awards. Seismic projects are eligible for HMGP funding under DR-4288 and new priorities include hazard mitigation projects that will protect disadvantaged communities and /or compliment previous mitigation actions. This aligns with HCD’s priorities for targeting resources to the City’s low-income residents and will allow the City’s application to emphasize building needs in the most vulnerable and income-challenged areas of Oakland, which was not possible with the previous grant.

An HMGP award covers up to 75 percent of the proposed project cost, to a maximum of \$10,000,000 in federal share per application for DR-4288. This requires a local match of 25 percent, up to \$3,333,333, depending on the HMGP award. However, in January of 2022 CalOES introduced a one-time, state funded “Prepare California” initiative that includes the opportunity to concurrently request supplementary funds from CalOES to cover the 25% local match required by an HMGP award using a combined *PrepareCA Match – FEMA HMGP* application. This additional funding requires a focus on resilience in vulnerable and high hazard risk communities as located on the [CalOES Hazard Mitigation Division’s Vulnerability Map](#)³. A significant number of census tracts in Oakland are identified as eligible on that map, all of which overlap with zip codes identified in HCD’s 2021-2023 Strategic Action plan as areas experiencing high degree of housing instability: 94601, 94605, 94621, 94606 and 94607. Additionally, PrepareCA Match funding would allow the City to provide a more significant subsidy to property owners and tenants, reach more households in vulnerable communities, and budget for staffing capacity to make the most efficient use of funds.

On January 27, 2022, the Department of Housing and Community Development submitted a Notice of Interest (NOI) to CalOES expressing the intent to apply for HMGP funds to support SHOP, including a request for supplementary PrepareCA Match funds. The NOI is expected to be approved and the City to be invited to submit an application. The application will require a cost-benefit analysis to evaluate the cost effectiveness and impact of the proposed activities

³ CalOES Hazard Mitigation Division’s Vulnerability Map:
<https://www.arcgis.com/apps/dashboards/677300969f9b4d4786d75aaa534318e6>

and a geographic analysis of potential projects in Prepare Match priority areas to determine the total proposed grant budget and structure.

ANALYSIS AND POLICY ALTERNATIVES

Earthquakes are the most pervasive safety hazard throughout the San Francisco Bay Area, as they are impossible to predict or contain. Most of the geologic hazards that present the greatest threat of devastation to life and property are the direct or indirect result of ground movement due to earthquakes, with the primary earthquake hazards being surface/fault rupture and ground shaking leading to collapse. Secondary hazards include fire, flood, ruptured gas lines, and falling debris.

Oakland has significant faults running through or adjacent to it. The Hayward Fault presents the greatest risks. The United States Geological Survey estimates that of all Bay Area faults, the Hayward Fault has the highest likelihood of a major earthquake in the next 30 years. All of Oakland will experience strong shaking due to an earthquake, and older vulnerable building types will experience disproportionate damage. Without proactive measures to reduce risk following a major earthquake, Oakland would likely be faced with a significant loss of life and an exacerbated housing crisis hampering community recovery.

The proposed combined *PrepareCA Match – FEMA HMGP* grant fully supports the Citywide priority of **housing, economic, and cultural security**, and specifically two of HCD's core priorities of housing Protection and Preservation. This funding would allow continued financial assistance to residential property owners to complete code-compliant seismic retrofits of soft story rental apartment buildings through 2025. This will (1) make housing safer and save lives, (2) preserve existing units, (3) protect tenants from capital improvement rent increases, (4) facilitate housing recovery, (5) keep Oakland residents in Oakland, and (6) conserve resources supporting economic recovery in the event of a major disaster.

Safer Housing for Oakland (SHOP): A Soft Story Apartment Seismic Retrofit Program

Soft story buildings were the primary type of buildings that collapsed during the 1989 Loma Prieta and 1994 Northridge earthquakes. In Oakland alone, 1,300 housing units in multi-family buildings were lost or severely damaged in 1989. These buildings were a significant affordable housing resource for the elderly and minority residents. The Association of Bay Area Governments estimates that damages to soft story buildings in Oakland could cause 67 percent of expected housing losses during the next significant earthquake, although they comprise only 11 percent of the occupied housing units.

Soft story building screening efforts had begun in 2009, which led to the current list of 1,675 soft story structures at risk of substantial damage or collapse in the event of a major seismic event. These apartment buildings contain approximately 20,000 of Oakland's rental units, the majority of which are in low- to moderate-income neighborhoods. The potential housing loss could displace far more residents than can currently be provided by emergency shelter in the City's current inventory of 5,000 beds. It would also potentially result in long term loss of existing naturally occurring affordable units that are likely to return at premium market rates if rebuilt. But despite the high risk of injury and property loss, these retrofits typically cost between \$70,000 and \$250,000, depending on building size and geometry. Owners are often reluctant or unable

to consider such an expensive project and when they do, the cost burden is likely to be shifted to tenants in the form of capital improvement rent increases.

The SHOP Program was developed in 2016 to offer financial assistance that would encourage rental property owners to complete soft story retrofits voluntarily, by reimbursing up to 75% of the cost of the project once complete. In addition to supporting owners, this also greatly reduces rent increases that would result from the pass-through of those capital improvement costs to tenants. When SHOP was launched in 2017, 250 applications were received. In just over three years, SHOP expects to retrofit 39 of those buildings with 586 households, fully expending that grant and leveraging the \$4,500,000 federal share to implement total Program costs of \$6,000,000. The reimbursement structure of funds awarded under DR-4288 will depend on the size of the award and whether we are granted PrepareCA Match funding. Staff anticipates that the \$10,000,000 from FEMA and \$3,333,333 of matching funds from CalOES will provide funding to retrofit 65 to 80 properties through 2025.

SHOP has been successful but the current funding has been expended. In addition, demand has increased since Council adopted a Mandatory Seismic Retrofit Ordinance (Ordinance 13516 C.M.S.) in January 2019 that requires the retrofit of the remaining soft story inventory by 2025. This is critical legislation to address these vulnerable buildings and more owners will complete a retrofit now that it is mandatory, but many have submitted exemption requests due to financial hardship. Without financial assistance, the buildings could remain at risk or long-term owners could be required to sell under distress. If the retrofit does occur, in addition to increased rents, the financial burden may be passed to tenants in the form of reduced property maintenance and neglect.

The City is seeking additional HMGP funding to extend SHOP until 2025, leveraging the successes from the first four years of the program and the supplementary PrepareCA Match funds. The number of retrofit projects that receive financial support will be based on the award amount and subsequent eligibility criteria established by the City. Precise locations and project specifications will be available for all selected buildings.

Eligibility and Program Priorities

For the purposes of this program, potential soft story buildings are wood-frame residential buildings comprised of five or more units, having two or more stories, built before 1991, with wood-frame target (first-floor) stories. An engineering evaluation will be needed to determine whether buildings within this class lack sufficient resistance to seismic shaking and should be retrofitted. Building owners will need to hire an engineer or architect to determine soft story vulnerabilities, then have a retrofit designed to bring the building into compliance with mandatory retrofit requirements established by the Mandatory Seismic Retrofit Ordinance (Ordinance 13516 C.M.S.) passed in 2019.

Funding agency priorities for this round of HMGP funding have been updated to include activities that benefit disadvantaged neighborhoods in terms of hazards and social vulnerabilities, allowing this application to focus efforts in the low- and moderate-income areas of most need. Areas of priority reflected on the [CalOES Hazard Mitigation Division's Vulnerability Map](#) of eligible census tracts all overlap with zip codes identified in HCD's 2021-2023 Strategic Action plan as areas experiencing high degree of housing instability: 94601, 94605, 94621, 94606 and 94607, making this a strong application that aligns closely with the

City's focus areas. ***Of the 1675 soft story structures on the current inventory list, 295 are within the combined CalOES Vulnerability Tract and Strategic Plan Priority Zip Code areas.*** SHOP will prioritize these buildings, and within that set, those with increased first-floor vulnerability and/or occupancy and those that receive public funds for affordable housing. The requested funding is expected to retrofit approximately 30% of the soft story buildings in these areas.

FISCAL IMPACT

If City Council adopts the recommended resolution, no commitment of City funds will be required. If awarded, FEMA funding will be appropriated to the Safer Housing for Oakland Program, FEMA Fund (2124), Housing Administration (Org 89919), and Residential Lending (Org 89939), Project number TBD, and PrepareCA Match funding will be appropriated to the Safer Housing for Oakland Program, California State Emergency Services Fund (2146), Housing Administration (Org 89919), and Residential Lending (Org 89939).

PUBLIC OUTREACH / INTEREST

The Planning and Building Department estimates that there are potentially 1,675 apartment buildings in Oakland that remain vulnerable due to a soft-story condition and that fall under the mandatory soft story retrofit ordinance. This indicates that interest will far exceed available HMGP funds. Outreach to all properties on the current list of identified soft-story buildings based on SHOP priorities will be conducted as soon as HMGP funds are awarded.

COORDINATION

The Department of Housing and Community Development has consulted with the Planning and Building Department, on this program, with review by the Budget Bureau and Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: Project funds awarded from HMGP will result in significant cost-savings for property owners, residents, and public agencies by mitigating damage to buildings, loss of human life, serious injuries and loss of needed housing units that may result from seismic events.

Environmental: By decreasing the risk of structural damage and collapse caused by seismic events, retrofits reduce building material waste and reduce the use of new materials needed to repair and reconstruct earthquake-damaged buildings. By preventing potential loss of infill housing units, retrofits also curb longer commutes that result in increased greenhouse gas emissions.

Race and Equity: Demographic data evidences that Oakland's housing and homelessness crisis disproportionately impacts Oakland's lower-income residents and in particular the African American community. If awarded this funding, the SHOP program would directly address these

disparities by prioritizing retrofits in low- to moderate-income areas. Providing financial assistance to property owners to reduce the cost burden of seismic retrofits will be particularly beneficial to lower-income owners who would not otherwise be able to afford the entire cost of a retrofit, the subsidies will prevent rent increases to tenants through pass-through of Capital Improvement costs. The retrofitting of soft story apartment buildings will prevent the loss of critically needed rental units subject to the City's Rent Adjustment Ordinance. Retrofits protect housing occupied by elderly, disabled, low-income or otherwise vulnerable residents, who are most likely to be permanently displaced or rendered homeless due to earthquake damage.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that City Council adopt a resolution: 1) Authorizing the City Administrator to apply for, accept, and appropriate up to ten million dollars (\$10,000,000) in Hazard Mitigation Grant Program funds from the Federal Emergency Management Agency (FEMA) and the Governor's Office of Emergency Services (CalOES); and 2) Authorizing the City Administrator to apply for, accept, and appropriate up to three million three hundred thirty-three thousand three hundred thirty-three dollars (\$3,333,333) in Prepare California Program funds from CalOES to continue the Soft Story Apartment Seismic Retrofit Grant Program.

For questions regarding this report, please contact Shola Olatoye, Director of Housing and Community Development at (510) 238-3714.

Respectfully submitted,

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