




# 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 18, 2021

City Administrator Approval 

Date: Jul 8, 2021

## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator 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 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 California Proposition 1 of 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 in 2002 (Ordinance No. 12442 CMS), the *Affordable Housing Trust Fund* (Oakland Municipal Code 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 trust 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 to moderate- and low-income renters. Since the onset of the COVID-19 pandemic, and the ensuing economic recession in 2020, housing demand has far outstripped production.

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, 48 percent of Oakland renters are rent burdened—meaning that more than 30 percent of their household

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income is spent on rent.<sup>1</sup> Oakland's homeless population has increased 47 percent in the past two years, jumping from 2,761 in 2017 to 4,071 in 2019.<sup>2</sup> There was no official count of Oakland's homeless in 2020. 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.<sup>3</sup> <sup>4</sup> 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 May 3, 2021, the State of California, Department of Housing and Community Development (CA-HCD) issued a Notice of Funding Availability (NOFA) for the LHTF Grant Program. This Program is funded by California 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 2021 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.

Under the 2020 LHTF NOFA, the City of Oakland Housing and Community Development Department (HCD) secured an award of \$5 million with a score of 80 out of 100 possible points. Only some of the jurisdictions with 80 or more points received the award statewide, suggesting that the City's tiebreaker score played a role in securing this competitive award. After the 2020 LHTF award was announced to the City in February 2021, the City signed the Standard Agreement in late May 2021. As of the writing of this report, the City has not yet received the 2020 LHTF award funds.

Applications for the 2021 LHTF grant are due on August 3, 2021, with awards announced in October 2021. Previously awarded applicants must submit the LHTF Annual Report by July 31, 2021 in order to be eligible to submit an application for this NOFA. If awarded, the City of Oakland will have until 2025 to expend funds.

## **ANALYSIS AND POLICY ALTERNATIVES**

The LHTF Program provides matching grants to eligible applicants that have a local housing trust fund. In 2002, the City Council adopted Ordinance No. 12442 CMS to establish the Affordable Housing Trust Fund (AHTF), codified in Section 15.62 of the Oakland Municipal Code (OMC). The AHTF receives 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

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

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

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

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

utilized on a dollar-for-dollar basis for the same eligible projects for which LHTF program funds are used. The maximum application request under the 2021 NOFA is \$5 million.

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) 2021-2022 budget.

Key elements of the LHTF program requirements are:

- Funds must be used for construction and/or permanent loans
- At least 30 percent of the funds must be expended on assistance to extremely low-income households (30 percent of Area Median Income, or AMI)
- No more than 20 percent of program funds can be expended on moderate income households (no more than 120 percent of AMI)
- The remaining program funds shall be expended on lower-income households (no more than 80 percent of AMI)
- Eligible uses include rehabilitation of affordable rental housing, emergency shelters, permanent supportive housing, homeownership projects, and Accessory Dwelling Units

In addition, selection criteria advantage 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.

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.

### **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**

Leading up to the creation of the HCD's Strategic Action Plan, approved by City Council on June 1, 2021, the HCD Director and staff met with many community stakeholders. A clear outcome of those discussions centered around the need for more resources for housing preservation and production overall. As mentioned above, HCD staff have determined that the most competitive application must focus on New Construction to score maximum possible points. Under this strategy, a 2021 LHTF award would increase the overall sources available for

all HCD projects, effectively expanding available sources to support housing production and preservation activities.

### **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 constructing more infill units, pipeline projects will reduce the pressure to build on suburban or rural land far from public transit and proximity to Oakland jobs.

***Race and 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 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, Acting Deputy Director, HCD, at 510-238-3360.

Respectfully submitted,

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