



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2015 MAY 14 AM 10:10

AGENDA REPORT

TO: John A. Flores
INTERIM CITY ADMINISTRATOR

FROM: Michele Byrd

SUBJECT: Appropriation of Residential Rehab
Program Income

DATE: May 5, 2015

City Administrator
Approval

Date

5/13/15

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that Council adopt the following resolution:

A Resolution Authorizing The Use Of Current And Future Loan Repayment Funds From The Home Maintenance And Improvement Program, The Neighborhood Housing Revitalization Program, And The Weatherization And Energy Retrofit Program To Fund Grants And Loans Made Under Any City Residential Rehabilitation Program, And Appropriating Current Loan Repayment Funds From These Programs For This Purpose.

OUTCOME

The City Council's approval of the appropriation of \$1,684,854 in HOME-Home Maintenance and Improvement Program (HOME-HMIP) loan repayments, \$355,780 in Neighborhood Housing Revitalization Program (NHRP) loan repayments, and \$79,975 in Weatherization and Energy Retrofit Program (WERP) loan repayments will allow the City to complete by the end of fiscal year 15-16 fourteen (14) rehabilitation projects currently under construction and eight (8) additional priority projects in need of critical health and safety repairs. These repairs will allow the occupants to continue living in their current homes under housing conditions that are decent, safe, and sanitary.

Adoption of the proposed resolution would allow Residential Lending and Rehabilitation Services (RLS) to expeditiously approve and complete projects that address applicants' most pressing housing rehabilitation needs, including emergency health and safety repairs, without returning to Council. Housing repair needs and costs fluctuate depending on a variety of factors, including the housing market, weather conditions, and the regional cost of building materials. The flexibility to use RLS loan repayments towards any of RLS's eight (8) grant and loan programs allows the City to timely fund priority repair needs for both Oakland residents facing unsafe or unhealthy housing conditions or the deterioration of their homes.

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BACKGROUND/LEGISLATIVE HISTORY

RLS administers loan and grant programs for the repair and rehabilitation of homes occupied by low- and moderate-income homeowner households in community development districts, access improvement for disabled homeowners and tenants, the transformation of vacant and blighted residential properties, and the development of surplus and vacant lots. *Attachment A* sets forth more information about current RLS grant and loan programs. Eligible repairs include:

- Comprehensive rehabilitation;
- Accessibility improvements for persons with physical disabilities;
- Abatement of lead-based paint hazards;
- All-inclusive energy efficient improvements including solar installation;
- Seismic retrofits;
- Emergency health and safety repairs and abatement of code violations; and
- Minor home repairs for senior citizens.

RLS provides loan underwriting, project design, construction, and project management for applicants as well as loan servicing for City-funded loans. In Fiscal Year 2013-14, 344 applications were received and 288 projects were undertaken. The loan servicing unit is responsible for managing a loan portfolio presently valued at \$457 million. RLS loans and grants result in the following community benefits:

- Allowing low- and moderate-income homeowners to:
 - Address critical housing repair needs;
 - Conserve energy and water resulting in lower household utility bills and reduction of greenhouse gas emissions;
 - Safely and comfortably accommodate household members with physical disabilities; and
 - Maintain the condition of their homes to prevent deterioration and blight and avoid irreversible dilapidation leading to home loss.
- Enhancement of Oakland's economy by:
 - Generating property and sales tax revenues;

- Generating building and planning permit fees;
- Generating direct revenue for local businesses and suppliers; and
- Creating employment opportunities.

Residential repair and rehabilitation has a direct connection to home preservation. Following the housing crash of 2008-2009 and the ensuing foreclosure crisis, there has been an increased need for financial assistance to Oakland residents to facilitate residential repair and rehabilitation, particularly for blighted, deteriorated, and older housing stock. Many current low- and moderate-income homeowners must choose between addressing critical, but costly home maintenance needs and satisfying mortgage and property tax obligations. Deferred maintenance over a long period can cause deterioration severe enough to result in home loss. Most low-income homeowners, particularly seniors on fixed budgets, would be unable to afford new rental or ownership housing in Oakland if displaced from their current homes.

ANALYSIS

The Residential Lending and Rehabilitation Services division of the Department of Housing and Community Development (DHCD) is requesting the appropriation of: (1) \$1,684,854 from HOME-HMIP loan repayments, (2) \$355,780 from NHRP loan repayments, (3) \$79,975 from WERP loan repayments and (4) all future loan repayments from these programs to fund residential rehab projects. While DHCD has only committed funds currently available to complete rehab projects, the demonstrated need based on pipeline projects and applications received would create a projected \$4,221,166 shortfall in residential rehab funds.

Due to overwhelming demand for housing repair assistance, the division has more projects than can be currently funded within the Community Development Block Grant (CDBG) allocation for fiscal year 2014-15 or projected fiscal year 2015-16 funds, a total of sixty-four (64) pipeline projects. The highest priorities are completing fourteen (14) projects currently under construction (\$837,166) and an additional eight (8) projects that are considered urgent priorities based on major health and safety violations, lack of accessibility, and severe housing deterioration (totaling \$1,021,025). In addition to these immediate funding priorities, RLS has conditionally approved forty-two (42) rehab projects and continues to receive applications weekly from eligible residents in need of critical repairs, some impacting the health and safety of occupants.

For the past 38 years, the City's Housing Rehabilitation programs have been available to low- and moderate-income homeowners residing in community development districts. These programs have allowed the City to fund improvements to older and deteriorating housing stock as well as enhancing the quality of life of low- and moderate-income households. However, the available existing funding sources are insufficient to meet the current demand for services, including projects currently under construction.

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An increase in number of applicants and projects and continued increases in labor and material costs, coupled with a significant reduction in CDBG funding from the U.S. Department of Housing and Urban Development (HUD), and a similar reduction in HMIP loan repayment income have reduced the ability of RLS to timely address critical housing needs. Additionally, stringent Federal and State regulations regarding lead-based paint hazard, the extremely high incidence of lead hazards in Oakland housing stock and the cost of permit fees are all contributing factors to the high and increasing cost of residential rehabilitation.

The majority of applicants must take out multiple loans to cover the total cost of rehabilitating their property. In some instances, qualified applicants have been able to repair only the most critical items, leaving many necessary repairs unaddressed, due to high construction costs and unavailability of RLS funds.

Attachment C details the current projected shortfall in RLS funds to address projects currently under construction, priority health and safety projects and, projects in the RLS program pipeline that have been conditionally approved for funding. City Council's approval of the appropriation of both current and future program income from loan repayments will allow the City to fund the most urgent housing repair needs in a timely and effective manner without returning to Council.

PUBLIC OUTREACH/INTEREST

This item did not require any additional public outreach other than the required posting on the City's website.

COORDINATION

The Department of Housing and Community Development has consulted with the Controller's Bureau and the City Attorney's Office for the preparation of this report.

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COST SUMMARY/IMPLICATIONS

1. SOURCE OF FUNDING:

Program income from HOME-HMIP would come from Fund 2109, Org 89939, Project G155810, Program NB32. Program income from NHRP would come from Fund 2999, Org 89939, Project G08760, Program NB32. Program income from WERP would come from Fund 2611, Org 89939, Project G397610, Program NB32.

2. FISCAL IMPACT:

There is no immediate impact on the City's budget. The City Council has approved through multiple Housing Action Plans the allocation of RLS program income back to RLS for the purpose of recycling the funds for additional rehabilitation projects. Reallocation back to the RLS general grant and loan fund would potentially shift resources from individual loan programs to other residential rehab loan and grant programs. At present there is \$1,684,854 available in loan repayments from HOME-HMIP, \$355,780 available from NHRP and \$79,975 from WERP that will be appropriated as part of the proposed City Council action and allocated to fund residential rehabilitation projects currently in the pipeline. Future RLS program income will also be appropriated as part of the proposed City Council action and allocated as needed to address the most urgent priority residential rehabilitation needs.

SUSTAINABLE OPPORTUNITIES


Economic: The use of RLS program income to fund new grants and loans will result in the generation of property and sales taxes, building and planning permit fees, direct revenue for local businesses and suppliers, and employment opportunities for contractors and their workers. RLS rehab projects have generated over \$250,000 in permit fees over the last five years. Home repair and rehabilitation is a tool to preserve homeownership through adequate home maintenance, especially for long-term Oakland homeowners.

Environmental: Home repairs and improvements often enable homeowners to conserve energy and water by addressing residential energy efficiency and plumbing leaks.

Social Equity: RLS grants and loans provide affordable home repairs and improvements for low- and moderate-income residents, allowing residents of community development districts to maintain housing that is safe and healthy, thus advancing housing equity.

For questions regarding this report, please contact Loyd Ware, Manager of Residential Lending and Rehabilitation Services, at (510) 238-6197.

Respectfully submitted,



MICHELE BYRD
Director, Dept. of Housing and Community
Development

Prepared by:
Loyd Ware, Manager
Residential Lending and Rehabilitation

Attachment A: Description of RLS Programs
Attachment B: RLS Pipeline Projects and Projected Costs by Priority Level

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ATTACHMENT A

LOAN PROGRAMS			
REHAB PROGRAM	MAXIMUM ASSISTANCE	ELIGIBILITY	EXAMPLES OF COVERED MEASURES
Emergency Home Repair Program (EHRP)	\$15,000 deferred loan, 0% interest	Owner-occ. HH under 50% AMI	Major roof repairs, sewer repairs, and major mechanical systems such as electrical and plumbing
Home Maintenance and Improvement Program (HMIP)	\$75,000 deferred loan, 0-3% interest (depending on income)	Owner-occ. HH under 50% AMI (0% interest) or 80% AMI (3% interest)	Extensive rehabilitation and health and safety repairs, including building code deficiencies
Neighborhood Housing Revitalization Program (NHRP)	\$150,000 loan deferred for 2 years, 10% interest (waived if home sold to eligible first-time buyer)	Vacant and blighted 1-4 unit homes with major code violations	Extensive rehabilitation to correct code violations and eliminate health and safety hazards
Weatherization and Energy Retrofit Program (WERP)	\$30,000 deferred loan, 0% interest	Owner-occ. HH under 80% AMI	Energy efficient home improvements including roof, furnace, windows, doors, water heater, attic insulation, new appliances, and solar power
GRANT PROGRAMS			
REHAB PROGRAM	MAXIMUM ASSISTANCE	ELIGIBILITY	EXAMPLES OF COVERED MEASURES
Access Improvement Program (AIP) for Homeowners	\$15,000 (\$24,000 where lift required)	Owner-occ. HH under 80% AMI w/ access needs	Wheelchair ramps (up to \$15,000) or lifts (up to \$24,000), bathroom and entry modifications
Access Improvement Program (AIP) for Rental Properties	\$15,000/unit (\$24,000/unit where lift required)	Tenant HH under 80% AMI w/ access needs, 5 year restriction	Wheelchair ramps (up to \$15,000) or lifts (up to \$24,000), bathroom and entry modifications
Minor Home Repair Program (MHRP)	\$2,499 grant	Senior and disabled homeowners under 50% AMI	Minor plumbing and electrical work, water heaters, carpentry, door locks, smoke detectors, safety bars
Lead-Safe Homes Paint Program (LSHPP)	Grant to cover cost of all eligible measures	Owner-occ. HH under 50% AMI (disabled/senior) or 80% AMI (with children)	Interior and exterior painting and soil treatment to address lead hazards

Attachment B

Residential Lending Pipeline Projects by Priority Level

Under Construction Project Balances as of 4/28/15

Address	CDBG District	HMIP/WERP	AIP	LSHPP	EHRP
66th Avenue	CEO	\$66,870.00	\$24,000.00	\$13,335.00	
66th Avenue	CEO	\$24,673.00	\$24,000.00	\$12,530.00	
Rudsdale Avenue	ELM		\$24,000.00		
79th Avenue	CEO				\$15,000
Wadean Place	CEO		\$14,000.00		
5th Avenue	CTEL	\$16,182.00		4800	
Topanga Dr	ELM	\$28,570.00	\$6,810.00	\$3,525.00	
90th Avenue	ELM	\$2,750.00			
Halliday Avenue	CEO	\$4,800.00			
E 27th Street	CTEL	\$146,600.00		\$15,000.00	
57th Street	NO	\$183,636.00	\$15,000.00	\$15,000.00	
11th Avenue	CTEL	\$5,900.00			
Henry Street	WO	\$11,190.00			
D Street	ELM	\$147,640.00	\$11,355.00		
COMBINED ACTIVE PROJECTS TOTALS:		\$638,811.00	\$119,165.00	\$64,190.00	\$15,000.00

Project Totals

\$104,205.00
\$61,203.00
\$24,000.00
\$15,000.00
\$14,000.00
\$20,982.00
\$38,905.00
\$2,750.00
\$4,800.00
\$161,600.00
\$213,636.00
\$5,900.00
\$11,190.00
\$158,995.00
\$837,166.00

Available Funds 4/28/15 (see below)

\$530,575.11

Shortfall for Projects Under Construction: -\$306,590.89

Priority Health and Safety Projects as of 4/28/15

Address	CDBG District	HMIP/WERP	AIP	LSHPP	EHRP
Camden Street	O of D	\$95,525	\$24,000	\$15,000	\$15,000
104th Avenue	ELM	\$105,000	\$24,000	\$15,000	
46th Avenue	FVSA				\$17,500
73rd Avenue	ELM	\$105,000.00		\$15,000.00	
MacArthur Blvd	CO	\$131,000	\$24,000	\$15,000	\$30,000
9th Street	WO	\$246,000	\$24,000		
56th Street	NO	\$75,000			\$15,000
63rd Street	NO			\$15,000	\$15,000
COMBINED PROJECTS TOTALS:		\$757,525	\$96,000	\$75,000	\$92,500

Project Totals

\$149,525.00
\$144,000.00
\$17,500.00
\$120,000.00
\$200,000.00
\$270,000.00
\$90,000.00
\$30,000.00
\$1,021,025.00

Shortfall for Priority Health and Safety Projects: -\$1,021,025.00

District	# of Projects	Total for District
Central East Oakland	8	\$622,100
Chinatown/Eastlake	2	\$90,000
Elmhurst	11	\$636,950
Fruitvale/San Antonio	5	\$328,500
Central Oakland	2	\$155,000
North Oakland	4	\$241,000
West Oakland	5	\$495,000
Out of District (Citywide)	5	\$325,000
TOTAL FUNDS NEEDED	42	\$2,893,550

HMIP as of 4/28/15	\$280,336.70
WERP as of 4/28/15	\$139,003.41
AIP as of 4/28/15	\$36,560.00
LSHPP as of 4/28/15	\$29,063.00
EHRP as of 4/28/15	\$45,612.00
Total Available Funds	\$530,575.11

Shortfall for Conditionally Approved Pipeline Projects: -\$2,893,550.00

Total Funding Shortfall (as of 4/28/15): -\$4,221,165.89

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OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A RESOLUTION AUTHORIZING THE USE OF CURRENT AND FUTURE LOAN REPAYMENT FUNDS FROM THE HOME MAINTENANCE AND IMPROVEMENT PROGRAM, THE NEIGHBORHOOD HOUSING REVITALIZATION PROGRAM, AND THE WEATHERIZATION AND ENERGY RETROFIT PROGRAM TO FUND GRANTS AND LOANS MADE UNDER ANY CITY RESIDENTIAL REHABILITATION PROGRAM, AND APPROPRIATING CURRENT LOAN REPAYMENT FUNDS FROM THESE PROGRAMS FOR THIS PURPOSE

WHEREAS, the City of Oakland receives funds under the federal HOME Investment Partnership Program (the "HOME" Program) to provide for the housing needs of low- and moderate; and

WHEREAS, the City has used HOME funds (Fund 2109) for residential rehabilitation grants and loans, including the Home Maintenance and Improvement Program (HOME-HMIP); and

WHEREAS, HOME-HMIP has generated \$1,684,854 in unallocated repayments of loans originally funded with HOME funds; and

WHEREAS, in the past the City had a Rental Rehabilitation Loan from which the City has collected and continues to collect loan repayment income; and

WHEREAS, the City has used loan repayments from the retired Rental Rehabilitation Loan Program (Fund 2999) for residential rehabilitation loans and grants, including the Neighborhood Housing Revitalization Program (NHRP); and

WHEREAS, NHRP has generated \$355,780 in unallocated repayments of loans originally funded with Rental Rehabilitations funds; and

WHEREAS, the City received funds under the federal Community Development Block Grant Recovery Program (the "CDBG-R" Program); and

WHEREAS, the City used CDBG-R funds (Fund 2611) for loans made under the Weatherization and Energy Retrofit Program (WERP); and

WHEREAS, WERP has generated \$79,975 in unallocated repayments of loans originally funded with CDBG-R funds; and

WHEREAS, the City continues to collect loan repayments from loans made under HOME-

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HMIP, NHRP and WERP; and

WHEREAS, \$2,120,609 in loan repayments from loans made under HOME-HMIP (\$1,684,854), NHRP (\$355,780) and WERP (\$79,975) have not been previously budgeted or appropriated by the City Council; and

WHEREAS, future loan repayments from loans made under HOME-HMIP, NHRP, and WERP have not been previously budgeted or appropriated by the City Council; and

WHEREAS, as of April 28, 2015, the City has a pressing need for additional funding for pipeline residential rehabilitation projects totaling \$4,751,741, including projects currently under construction (\$837,166), priority projects involving critical health and safety repairs (\$1,021,025), and projects that have been conditionally approved (\$2,893,550); and

WHEREAS, as of April 28, 2015, funds available for pipeline residential rehabilitation projects total \$530,575.11; and

WHEREAS, as of April 28, 2015, the shortfall for pipeline residential rehabilitation projects is \$4,221,165.80 and continues to increase as new applications are received and conditionally approved; and

WHEREAS, the City's funding needs for specific residential rehabilitation and repair projects fluctuates depending on a variety of factors, and flexibility to use program income for any residential rehabilitation program within the same fund would allow the City to expediently address priority housing rehab needs as they arise, which would enhance the health and safety of Oakland residents as well as prevent irreversible dilapidation; now, therefore, be it

RESOLVED: That the City Council hereby authorizes the use of current and future funds received from the repayment of loans made under the HOME-HMIP, NHRP, and WERP to fund grants and loans made under any City residential rehabilitation program; and be it

FURTHER RESOLVED: That the City Council hereby appropriates the sum of \$1,684,854 from HOME-HMIP repayment funds (Fund 2109, Org 89939, Project G155810, Program NB32) to an unallocated project to be decided within the HOME fund (Fund 2109) for use by any residential rehabilitation program within the same fund; and be it

FURTHER RESOLVED: That the City Council hereby appropriates the sum of \$355,780 from NHRP repayment funds (Fund 2999, Org 89939, Project G08760, Program NB32) to an unallocated project to be decided within the Miscellaneous Grants fund (Fund 2999) for use by any residential rehabilitation program within the same fund; and be it

FURTHER RESOLVED: That the City Council hereby appropriates the sum of \$79,975 from WERP repayment funds (Fund 2611, Org 89939, Project G397610, Program NB32) to an unallocated project to be decided within the CDBG-R fund (Fund 2611) for use by any residential rehabilitation program within the same fund; and be it

FURTHER RESOLVED: That the City Council hereby authorizes the appropriation of any future funds received as the result of loan repayments under HOME-HMIP, NHRP and WERP to an unallocated project to be decided within the respective fund from which the loan originated for use by any residential rehabilitation program within the same fund.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, and PRESIDENT GIBSON MCELHANEY

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

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