



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: April 25, 2022

City Administrator Approval

Date:

May 5, 2022

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 For Affordable Housing 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 (LHTF) Program. The LHTF Program was created pursuant to California Proposition 1 of 2018, and its principal goal is the expansion of funding for housing through increasing the capacity of existing local housing trust funds. The City of Oakland is eligible for LHTF Program funding as it established a local housing trust fund, the *Affordable Housing Trust Fund*, in 2002 pursuant to Section 15.62 O.M.C.

Should LHTF funds be awarded to the City of Oakland (Oakland), they must be matched dollar-for-dollar by existing City affordable housing funds and be used to fund recently awarded New Construction of affordable housing projects to increase the total number of affordable housing units in 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 burst of the housing bubble, and the ensuing economic recession in 2008, housing demand has far outstripped production. The Bay Area has continued to add jobs while housing production has not matched the same pace.

As with the rest of the region, 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

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than 30 percent of their household income is spent on rent.¹ Oakland's homeless population has increased by 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 approximately 100,026 in 2020.^{3 4} These trends underscore the importance of exploring opportunities to generate more housing stock for a range of incomes, particularly units that are affordable to residents with the lowest incomes and the least housing options.

On April 5, 2022, 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 2022 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 to State HCD on **May 25, 2022**, with awards being announced in August 2022.

ANALYSIS AND POLICY ALTERNATIVES

A critical barrier to the production of more affordable housing in the City is the immense chasm between funding available and the need for affordable housing, particularly for extremely low - income housing for households earning at or below 30 percent of area median income (AMI). As part of the City's efforts to secure any and all available funding sources to support the production of more affordable housing, the application and potential award of this competitive LHTF State grant would promote the City's priority of Housing, Economic, and Cultural Security by funding the new production of extremely low, very low, and low-income affordable housing.

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 Section 15.62 O.M.C. 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

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 and

⁴ U.S. Census Bureau, *Population Estimates, July 1, 2021 (V2021)*

program funds are used. Oakland seeks to apply for the maximum application request of \$5 million, as the City has done with success for the 2020 and 2021 rounds.

The Housing and Community Development Department (HCD) seeks to use LHTF funds to support new construction of affordable housing to award through its NOFA process, and match these funds with AHTF available in the Fiscal Year (FY) 2021-23 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
- No more than 20 percent 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. 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.

The features that create a competitive application align well with the City's most recent New Construction NOFA released on November 16, 2021. The 2021 New Construction NOFA featured several projects containing those with special needs (*living with developmental disabilities, serious mental illness or substance abuse disorders*), and those who are homeless (*living in a place not meant for human habitation*) or at risk of homelessness (*having an income below 30% of the median family income for the area*).

In recent years, the New Construction NOFA has both facilitated projects to move forward into construction as well as encouraged the City's pipeline of new affordable housing projects. By marrying the LHTF dollars with the New Construction NOFA, the City's LHTF application will be most competitive and take advantage of this leveraging opportunity to advance more of the City's affordable housing pipeline. The past two years of LHTF awards were successful only because the City tied the LHTF application to the New Construction NOFA with the appropriate evidence of availability of AHTF matching funds. City staff will pursue this approach again to prepare the most competitive application possible.

FISCAL IMPACT

Approval of the proposed resolution will authorize the application and acceptance, and allocation of any awarded LHTF Program funds in an amount of \$5 million. Funds will be deposited into Cal HCD (Fund 2144), Org. 89929, Project Code TBD, to allow for proper tracking and reporting of funds per guidance from the Budget Bureau.

Program awardees are entered 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.

For projects awarded LHTF funds, an equivalent amount of matching funds will be allocated on a dollar-for-dollar basis from the City of Oakland's AHTF Fund 1870, pursuant to the State's LHTF guidelines. To this end, \$5 million in funds from AHTF Fund 1870 from Affordable Housing Impact Fees and Jobs Housing Impact Fees that have been budgeted in the FY21-23 budget but not yet allocated to projects have been identified as the required AHTF match for the LHTF application.

PUBLIC OUTREACH / INTEREST

City staff convened a Housing Workshop meeting on March 12, 2022 to discuss housing priorities as part of the Housing Element public engagement process. Stakeholders encouraged the use of City and public funds to construct "deeply affordable housing" for vulnerable populations, and identified the unhoused and low-income residents as the top priority. Participants also sought to ensure that new housing would not exacerbate displacement of low-income residents and residents of color. Ongoing public engagement through the Housing Element update efforts throughout 2022 have highlighted similar themes and priorities, including increasing resources to provide housing for the most vulnerable – this funding application would directly meet this priority.

COORDINATION

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

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 the public transit and proximity to jobs that Oakland offers. The developers encourage contractors to use sustainable building techniques, including energy- efficient design, use of recycled building materials, and water-conserving fixtures and landscaping.

Race & Equity: Affordable housing is a fundamental means of achieving greater social equity and addressing racial disparities. Projects financed by LHTF funds will provide long-term housing affordability for tenants, resulting in greater neighborhood stability. The investment of LHTF and City funds into pipeline projects will produce 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 For Affordable Housing Production Programs.

For questions regarding this report, please contact Christina Mun, HCD Deputy Director of Housing Development, at 510-238-3360.

Respectfully submitted,

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