



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Emily Weinstein
Interim Director, Housing
and Community
Development

SUBJECT: Funding for New Construction
Pipeline Projects

DATE: June 21, 2023

City Administrator Approval


Jestin Johnson (Jun 22, 2023 12:20 PDT)

Date: Jun 22, 2023

RECOMMENDATION

Staff Recommends That City Council Adopt A Resolution Allocating Up To \$7,390,000 To Fund New Construction Of Multifamily Rental Affordable Housing Projects, And Authorizing The City Administrator To Make Development Loans Under The New Construction Of Multifamily Rental Affordable Housing Program Without Returning To Council

EXECUTIVE SUMMARY

On March 21, 2023, the City Council (Council) adopted Resolution No. 89646 C.M.S., which authorized the City of Oakland's (City) Department of Housing and Community Development (DHCD) to allocate up to \$63 million to projects through the City's New Construction Notice of Funding Availability (NOFA). The New Construction NOFA is the primary avenue by which the City distributes funding for newly built affordable housing. By the time the application window closed on April 3, 2023, the City received \$193,988,748 in requests for City funds from 16 projects. Together, these projects will provide 1211 units of affordable housing, including 435 units of deeply affordable Permanent Supportive Housing.

After allocating the \$63 million previously authorized by Council, DHCD identified several deserving projects with a funding gap. This resolution would authorize DHCD to allocate up to \$7,390,000 towards projects that would otherwise be unfunded or only partially funded. The source of these funds would be \$5 million in unused excess Boomerang funds previously intended for the City's Homekey program and \$2.39 million the City recently received from the State after winning the Prohousing Incentive Pilot Program grant. Using these funds to make multifamily affordable housing projects more competitive for the State's imminent "SuperNOFA" funding opportunity would be the most effective way to leverage city funds and result in the most affordable and deeply affordable units.

BACKGROUND / LEGISLATIVE HISTORY

Oakland's New Construction Pipeline

City Council
June 26, 2023

On March 21, 2023, the City Council adopted Resolution No. 89646¹ C.M.S., which authorized the City's Department of Housing and Community Development (DHCD) to allocate up to \$63 million to projects through the City's New Construction Notice of Funding Availability (NOFA). This included a mixture of impact fees, federal funds, former Boomerang funds, state grants, and a forward commitment of Measure U bond funds. A key rationale that Council adopted for forward committing the Measure U bond funds was to improve the competitiveness of Oakland projects for State funding and to enable projects on the brink of full funding to seek the last dollars required to begin construction.

DHCD incorporated these guiding principles of leveraging and speed into its scoring criteria for the New Construction NOFA, which closed on April 3rd. With the approval of City Council, DHCD revamped its readiness scoring criteria for the New Construction NOFA to specifically prioritize projects that had already received Low Income Housing Tax Credits (LIHTC) or were able to proceed with construction if they applied for the LIHTC during the State's May or Fall 2023 application windows. As a result, such projects scored well in the City's New Construction NOFA.

However, as a consequence of prioritizing projects that were closest to being fully funded, the City was unable to provide full funding for projects that were earlier in the process of funding assembly. Typically, a new construction multifamily affordable housing project will receive funding in three main stages:

1. First, the City provides an initial pledge of funding commitments that can be leveraged in later funding opportunities. These funds are awarded via the City's New Construction NOFA.
2. Second, the project applies for funding through the State's affordable housing grant programs. These funds are primarily awarded through the State's "SuperNOFA" funding opportunity every summer.
3. Third, the usual last step is to seek Tax-Exempt Bonds and Low Income Housing Tax Credits from the California Debt Limit Allocation Committee and the California Tax Credit Allocation Committee. These are offered in windows three times per year.

As the City was focused on funding projects between the second and third step, projects that were seeking the initial pledge of funding commitments were less likely to be funded. Over the last several weeks, HCD has been made aware of several additional projects that seek to apply to the State's SuperNOFA in July 2023. In order to be competitive for this funding, projects need a City pledge to serve as a match.

In addition, on March 21, 2023, pursuant to Resolution No. 89637 C.M.S.², City Council also authorized an application to the State for \$2,390,000 in funding from California HCD's Prohousing Incentive Pilot Program.

¹ <https://oakland.legistar.com/LegislationDetail.aspx?ID=6069002&GUID=CC2BAE28-C0A3-4107-B17B-40A18A0C1D8C&Options=ID|Text|&Search=new+construction>

² <https://oakland.legistar.com/gateway.aspx?M=F&ID=9814faa9-8254-46aa-908c-e37646a9ce50.pdf>

Oakland's Homekey and Acquisition and Conversion to Affordable Housing Pipelines

In addition to the New Construction NOFA funding process, DHCD has also conducted a Homekey Request for Proposals ("Homekey RFP") and Acquisition and Conversion to Affordable Housing ("ACAH") Notice of Funding Availability. These funding pipelines support, respectively, projects intended to support rapid rehousing under the State's Homekey program, and acquisition and conversion of existing market rate rental units with residents at high risk of displacement and converting those to deed restricted affordable housing.

On July 26, 2022, pursuant to Resolution No. 89379 C.M.S.³, City Council provided pre-authorization for DHCD to apply with project sponsors to the State's Homekey Round 3 NOFA, and allocated City capital matching funds not to exceed \$21,608,441 and operating matching funds not to exceed \$12,676,713 for Oakland Homekey projects.

On December 6, 2022, pursuant to City Council Resolution No. 89503 C.M.S.⁴, DHCD staff sought authorization to provide additional funding to support another ACAH NOFA round to support the acquisition, conversion of affordable housing units from market rate, and associated rehabilitation needs. At the time, the State's Homekey NOFA had still not been released, so the funding recommendations were dependent on the outcome of the State Homekey process. A minimum of \$12,265,543 and maximum of \$33,265,543 were made available to the ACAH NOFAs – with less funding available to ACAH projects if more Homekey awards were received. On February 21, 2023, pursuant to City Council Resolution No. 86905 C.M.S.⁵, \$750,000 of the funding allocated to the ACAH NOFAs was re-allocated to support Coliseum Connections residents after flooding at that project.

ANALYSIS AND POLICY ALTERNATIVES

By increasing the supply of affordable and deeply affordable housing in Oakland, this resolution would advance the City's goals of housing, economic, and cultural security. DHCD has identified a total in \$7.39 million that could be immediately used to increase the number of funded projects and make such projects more competitive for State funding. This includes \$2.39 million from the State of California's Prohousing Incentive Pilot Program, a grant the City received on May 9, 2023. This grant is a flexible source of funds that can be used for capital or operating expenses for permanent affordable housing.

The other source of funds identified for this purpose is \$5 million in excess Boomerang funds that were left untapped by the City's Homekey program. These funds were freed up after staff worked with the City's Homekey applicants to right size the length of operating support provided for Homekey projects. This enabled a flexible funding source (HOME-ARP funds) to be used for capital instead of operating on those Homekey projects, which in turn freed up the excess Boomerang funds to be used for other purposes. Unfortunately, these funds became available

³ <https://oakland.legistar.com/View.ashx?M=F&ID=11101602&GUID=1192DEB6-404C-4C8C-A14F-F18446786773>

⁴ <https://oakland.legistar.com/View.ashx?M=F&ID=11538626&GUID=929D32DB-E55A-4F62-AA3D-8EBF51E7D972>

⁵ <https://oakland.legistar.com/View.ashx?M=F&ID=12095944&GUID=BA6623D5-9FE4-45FB-81CE-F9004D1B5CBE>

well after the State Homekey application opened, and Homekey projects are generally reviewed and awarded funds in the order they are received. Therefore, the most prudent way to leverage these local funds to secure State affordable housing resources would be by supporting projects pursuing the State's SuperNOFA opportunity rather than projects submitting a late Homekey application. This holds true both from the perspective of maximizing affordable units overall and from the perspective of maximizing deeply affordable Permanent Supportive Housing.

The urgency of this resolution comes from the timing for the State SuperNOFA deadline, which is on July 12, 2023. The State closely considers leverage of other funds in its grant-making process, so a timely commitment of City funds with this resolution could be key in making Oakland projects competitive for this funding process. If funded by the State SuperNOFA, these projects would likely receive Low Income Housing Tax Credits in 2024 and begin construction in 2024 or 2025.

FISCAL IMPACT

This resolution is allocating an additional \$7,390,000, on top of the already allocated \$63,000,000, to fund affordable housing projects received through the 2023 New Construction Notice of Funding Availability. There would be no net impact on City resources as the \$5 million in excess Boomerang funds in the Affordable Housing Trust Fund (1870) were already appropriated and previously committed to the City's Homekey program by C.M.S. 89379, and the recently awarded \$2.39 million in Prohousing Incentive Pilot Program grant funds from the State by C.M.S. 89637 are currently uncommitted to any specific affordable housing program, but will be utilized in the New Construction NOFA.

PUBLIC OUTREACH / INTEREST

An announcement regarding the NOFA's release was made via email on January 31, 2023 to approximately 216 interested parties, from an HCDD mailing list that includes developers, affordable housing advocates, architects, and contractors, as well as other parties who have expressed interest in hearing about City funding opportunities for affordable housing. A NOFA pre-application meeting was held on February 2, 2023, to explain the NOFA application process, CEQA and National Environmental Policy Act (NEPA) requirements, as well as the City's required employment and contracting programs. Staff was available to answer NOFA-related questions. Approximately 45 participants attended the meeting. The City HCDD staff also worked with East Bay Housing Organization to conduct outreach and provided monthly general NOFA announcements to stakeholders; along with distributing New Construction NOFA interested party release announcements, reminders, and all information was updated on the City's HCDD website. In addition, HCD staff held office hours for potential applicant questions on February 9, 2023, and published frequent questions and answers updates based on inquiries received.

NOFA applicants were required to contact neighborhood organizations in the vicinity of the proposed development and hold at least one meeting with an established neighborhood organization prior to application submission. The applicant's community outreach plan, a required exhibit of each NOFA application, documents each project's community outreach plan.

COORDINATION

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

SUSTAINABLE OPPORTUNITIES

Economic: By funding affordable and deeply affordable housing, this resolution would assist vulnerable Oaklanders who have been impacted the most by unaffordable rents.

Environmental: This resolution would fund affordable and deeply affordable housing. By building affordable housing near transit, the City can reduce pollution from automotive trips.

Race and Equity: This resolution would fund projects containing Permanent Supportive Housing. By increasing the supply of Permanent Supportive Housing, this resolution will increase permanent exits from homelessness and help reduce housing-related inequities.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That City Council Adopt A Resolution:

Allocating Up To \$7,390,000 To Fund New Construction Of Multifamily Rental Affordable Housing Projects, And Authorizing The City Administrator To Make Development Loans Under The New Construction Of Multifamily Rental Affordable Housing Program Without Returning To Council

For questions regarding this report, please contact Caleb Smith, Program Analyst III, at (510) 590-6275.

Respectfully submitted,


Emily Weinstein (Jun 21, 2023 18:19 PDT)

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