



# AGENDA REPORT


**TO:** Jestin D. Johnson  
City Administrator

**FROM:** Emily Weinstein  
Director, Housing &  
Community Development  
Department

**SUBJECT:** Apply For CalHome 2024 Grant

**DATE:** January 3, 2025

City Administrator Approval

  
Jestin Johnson (Jan 16, 2025 22:11 PST)

Date: Jan 16, 2025

## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To (1) Apply For, Accept And Appropriate CalHome Grant Funds In An Amount Not To Exceed \$5 Million From The California Department Of Housing And Community Development 2024 Homeownership Super Notice Of Funding Availability And (2) Execute A Standard Agreement And Any Amendments Thereto In Connection With The California Department Of Housing And Community Development 2024 Homeownership Super Notice Of Funding Availability.**

## **EXECUTIVE SUMMARY**

The City of Oakland (City) Housing and Community Development Department (HCDD) is requesting to submit an application to the California Department of Housing and Community Development (CA-HCD)'s **2024 Homeownership Super Notice of Funding Availability (Super NOFA)** for a CalHome Program grant. If the application is successful, the awarded grant funds will be used to assist low income homeowners up to 80% Area Median Income (AMI). The proposed resolution would authorize the City to:

- Apply to CA-HCD for a CalHome grant in an amount not-to-exceed the program maximum of \$5 million for the program purpose of providing 0%-3% subordinate loan funds and technical assistance to low income (80% of Area Median Income or below) homeowners for Accessory Dwelling Unit construction;
- Enter into a funding agreement with CA-HCD if the City is awarded program funds;
- Accept and appropriate funds to fulfill the program purpose of the Super NOFA award; and
- If staff evaluation determines that other qualified activities under the Super NOFA for which HCDD operates current programs, Owner Occupied Rehabilitation assistance or Mortgage Assistance, are more feasible and competitive than the proposed ADU program, those activities could be applied for in the Super NOFA as an alternative.

CED Committee  
January 28, 2025

**BACKGROUND / LEGISLATIVE HISTORY**

Below in **Table 1** shows ten times that the City Council (Council) authorized staff to apply for competitive CalHome grants in 2023, 2022, 2020, twice in 2019, 2014, 2013, 2010, 2007, and 2003. Of those, four applications for the activity Mortgage Assistance (MA) received awards totaling \$2,575,000 and one 2019 application for the activity Accessory Dwelling Unit (ADU) Rehabilitation Assistance received a \$3,000,000 award. In the past, the City has often been unsuccessful in receiving these competitive awards because the CalHome evaluation process uses County wide data to determine the “need” for the funding which is not an accurate reflection of the City’s demographics. We have advocated for changes to the scoring system and will continue to evaluate the best way for the City to maximize its competitiveness.

**Table 1: Prior CalHome Grant Applications for Mortgage Assistance (MA) or Accessory Dwelling Unit (ADU)**

Legistar File #	City Resolution	Subject
<a href="#">23-0045</a>	<a href="#">89603 CMS</a>	Apply for CalHome 2023 Grant (MA and OOR)
<a href="#">21-0802</a>	<a href="#">88906 CMS</a>	Apply for CalHome 2021 Grant (MA)
<a href="#">20-0693</a>	<a href="#">88331 CMS</a>	Apply For CalHome 2020 Grant (MA)
<a href="#">20-0214</a>	<a href="#">88060 CMS</a>	CalHome (2019) Grant Application Resolutions (MA)
<a href="#">20-0215</a>	<a href="#">88061 CMS</a>	CalHome (2019) Grant Application Resolutions (ADU)
<a href="#">13-0600</a>	<a href="#">85057 CMS</a>	CalHome Grant Application (2014 Grant) (MA)
<a href="#">12-0294</a>	<a href="#">84237 CMS</a>	CalHome Grant Application (2013 Grant) (MA)
<a href="#">09-1435</a>	<a href="#">82822 CMS</a>	CalHome Program (2010 Grant) (MA)
<a href="#">07-0065</a>	<a href="#">80513 CMS</a>	CalHome Program Grant (2007) (MA)
<a href="#">03-0159</a>	<a href="#">78107 CMS</a>	First Time Homebuyer Mortgage Assistance (2003 CalHome MA Grant)

Staff recommends applying for the “ADU Construction” activity in the 2024 application as this activity will score highest (85 points estimated). HCDD currently operates both Mortgage Assistance and Owner Occupied Rehabilitation programs, however those activities score considerably lower at 74 and 76 points respectively and appear unlikely to win a funding award. Based on recent CalHome NOFA trends, we noted increasing competition and higher award cutoffs at 79 points (2020), 81 points (2021), and 85 points (2023), and therefore conclude that chances are remote for winning an award should we apply to activities scoring in the 70’s. However, should an ADU activity application be deemed infeasible by staff, HCDD will submit an application for either of the other eligible program activities. Our rationale for applying to either of the backup choices is HCDD’s guiding principal to leverage outside funding sources to support affordable housing programs.

**Table #2 Comparison of Scores Estimated for CalHome Activities: MA, OOR, ADU**

Summary table(s) of point base criteria.

CalHome Program Summary Table (Scoring)	Max possible Score (per Eligible Activity)								Total Points
	40	15	15	10	5	5	5	5	
	Capability	Community Need	Feasibility	Community Revitalization	Volunteer, Self- Help, and Youth Training	Increases Affordable Housing Supply	Prospective Households Served	Pro-Housing Designation	
Mortgage Assistance Grants	40	10	6	10	0	0	3	5	74
Owner-Occupied Rehabilitation Grants	40	4	14	10	N/A	N/A	3	5	76
ADUs / JADU Grants	40	10	14	10		3	3	5	85

**ADU Background/History** - HCDD applied for and was awarded \$3 million from the 2019 CalHome NOFA to rehabilitate and legalize 30 ADUs. During the COVID-19 pandemic, scarcity of both construction labor and materials rose dramatically which caused costs to balloon – that and other factors such as increased insurance expenses resulted in only the smallest of projects remaining feasible within the \$100,000 per-unit loan limit. Ultimately one ADU rehab project was approved and funded and it is currently under construction. In contrast to the 2019 CalHome grant administered to legalize existing ADU’s, the current 2024 proposal will construct **new ADU/JADU which are feasible under the newly increased \$250,000 per-unit loan limit.**

The 2019 grant funded Oakland CalHome Accessory Dwelling Unit Loan Program was approved to operate in September 2022 to provide ADU legalization assistance and assisted one household by the January 2025 contract end. A program overview describing the ADU Loan Program for legalization of existing units is provided as a Attachment #1 to this report.

**State Legislative Background/History -**

CA-HCD’s stated program purpose is to deploy funds to “assist the existing local homeownership programs aimed at lower and very low-income households in order to increase homeownership, encourage neighborhood revitalization and sustainable development, and maximize the use of existing homes.”

The CalHome program was established by Chapter 6, (commencing with § 50650) of Part 2 of Division 31 of the California Health & Safety Code (HSC). The administration of the CalHome program is governed by the applicable Program Guidelines that implement, interpret, or make specific the following laws:

- Chapter 364, (commencing with §50470) of Part 2 of Division 31, HSC, 2017 (SB2).
- Chapter 365, (commencing with §5400) of Part 16 of Division 31, HSC, 2017 (SB 3), which was adopted by voters on November 6, 2018, as Proposition 1, provided funding for the CalHome and authorized CA-HCD to administer the Programs through the Guidelines. These Guidelines were explicitly exempt from the requirements of the Administrative Procedures Act (Chapter 3.5 (commencing with § 11340) of Part 1 of Division 3 of Title 2 of the California Government Code).

The December 12, 2024 Super NOFA will be governed by the December 12, 2024 CalHome Program Final Guidelines.

## **ANALYSIS & POLICY ALTERNATIVES**

In addition to advancing the Citywide Priority of **housing security**, staff recommends applying to the competitive Super NOFA to expand HCD's funding resources in alignment with our policy of pursuing state funding to address Oakland's housing needs. An award of 2024 CalHome funds from this Super NOFA would provide funding to operate the Oakland CalHome ADU Construction Program to expand the availability of housing by creating 16 new ADU housing units in addition to increasing low-income homeowners' opportunities for sustainability through the generation of new rental income from the ADU. Subordinate loans of up to \$250,000 per unit will be provided to the homeowners at 0%-3% simple interest. No loan payments will be due until the term ends at 30 years, the property is sold, or the homeowner ceases to use the home or the ADU as their primary residence.

**Analysis of policy recommending ADU Construction Program.** Providing technical assistance and funding for ADU construction to low-income residents addresses the disparities that most severely affect Oakland's low wealth Black residents. These residents disproportionately lack access to credit, assets, and technical guidance to build an ADU. The policy of technical assistance and deferred-payment loans to execute the project provides a viable solution to increasing these owners' self-sufficiency and homeownership sustainability through the generation of new rental income. The program squarely addresses the problem that low-income homeowners face: stagnant or fixed low incomes in a high cost of living area. Rising costs for utilities, insurance and maintenance force some to leave their home and community when ownership costs become unsustainable. Addressing gentrification by providing direct assistance to targeted underserved residents protects Oakland's cultural fabric and strengthens and uplifts our communities with the fewest resources to weather the fast-rising costs of home maintenance, energy, and insurance. Providing ADU construction assistance creates new housing which can be used to reduce the overcrowding experienced by 14% of Latinx households, or can provide opportunities for families to expand their home to allow multigenerational living, to plan for aging in place, to give young families a hand while keeping rents in the family rather than paying rent to an entity or corporation outside Oakland, or allow out-migrated family members rejoin the expanded home in Oakland.

**Option to not apply.** While a funding award is not guaranteed due to the grant being competitive, choosing not to apply will guarantee that we receive no new funding and is not recommended. Alternate funding sources for ADU construction are not readily available within the City of Oakland and are extremely limited for ownership activities. The alternative of not applying would leave up to \$5 million of housing production grant funds on the table and is not recommended since it would contradict HCD's policy to pursue outside funding sources available to further HCD's strategic plans including homeownership assistance.

### **Use of CalHome Funds**

If the proposed resolution is approved and the application for CalHome funding is successful, the CalHome funds will be used to make low-interest, deferred-payment ADU construction loans to low-income housing cost-burdened Oakland homeowners. HCD does not currently operate a New Construction ADU program, and will establish a new program with these funds per the recommendations below.

Staff recommends the following program options to serve households in the target area:

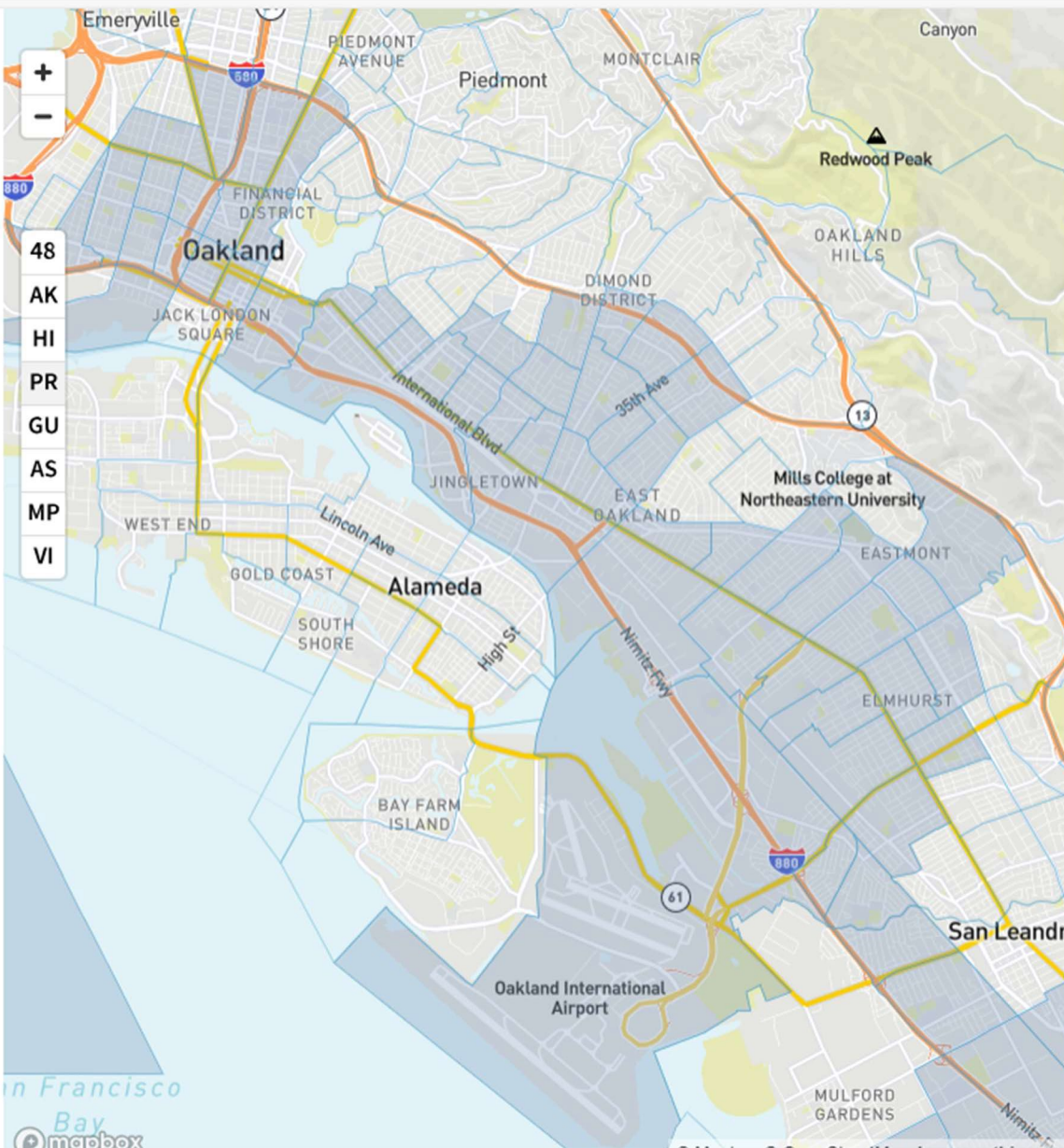
1. A simple interest rate of zero (0%) to three percent (3%), consistent with the City's existing loan programs. (or alternatively shared equity upon sale which can be more favorable to the program's ability to continue to serve more residents).
2. A 30-year loan, with annual payments deferred, and payable upon sale or transfer of the home, or when the property ceases to be owner-occupied, or at maturity.
3. The maximum amount of the CalHome ADU Program assistance loan of \$250,000 per household as allowed under the Super NOFA.
4. The assistance loans will be evidenced by a Promissory Note.
5. The loans will be secured by a deed of trust recorded on the property.
6. Funds will be made available on a first-come, first-served basis to income-qualified homeowners at 80% AMI or below.

### **Geographic Area of CalHome Activities**

In order to implement goals and purposes of the CalHome Program, CA-HCD provides scoring incentives for applicants to direct funding awards to various geographic locations. The allowed local Community Revitalization target areas include Federal Promise Zone, Choice Neighborhood Initiative Area, Opportunity Zone, Federally designated Justice40 Initiative, or High- or Highest-Resource Area on TCAC Opportunity Area Map. The option for localities to use the Justice40 initiative map to target CalHome program funding is new in the 2024 NOFA. The Justice40 Initiative is a federal designation that delineates communities that are marginalized by underinvestment and overburdened by pollution.

As indicated in **Exhibit #1** below, the Justice40 Initiative map aligns with the communities in Oakland such as East and West Oakland that bear disproportionate impacts from disinvestment including historic redlining, and from environmental pollution. Selecting the Justice40 Initiative map to direct CalHome funding ensures that the funding will target residents in Oakland's East and West flatlands where the highest concentration of at-risk homeowner populations reside. Oakland's Environmental Justice Element was adopted in 2023 to identify low-income areas disproportionately impacted by pollution, socioeconomic vulnerability, and adverse health impacts. Selection of the Justice40 Initiative for program geographic area also aligns with the purpose of the City's policies set forth in the Element.

**Exhibit #1 Justice40 Initiative Geographic Area Map of CalHome Activities**



**Program Implementation**

CAHCD historically takes between 9 to 12 months to announce awards, sign the Standard Agreement contract, and approve HCDD’s program operational plans. Once approved by CAHCD, program operations and funding draws may begin. HCDD will consider using the assistance of a consultant team to administer the ADU program – example duties such as marketing affirmatively to the owners in the program targeted area, developing costs estimates, performing appraisals, educating owners on the process of tenant selection and property management requirements, and screening initial applicant eligibility could be performed by the consultant team. Eligible homeowner applicants receive a loan commitment upon determination of an eligible project and draws from the grant funds directly to the builder are paid out as the

project progresses. Due to anticipated delivery and installation timing, HCDD expects several units to be in process simultaneously. Upon project completion, the administrator reconciles expenditures and submits them along with the required reporting quarterly data. At the end of the 3-year contract, unspent funds are forfeited or returned to CAHCD. Activities in the ensuing 20-year monitoring period are governed by the CAHCD approved program guidelines, loan servicing and reuse plans.

### Scoring

Although the maximum loan amount possible under the CalHome Super NOFA is \$5 million, staff may apply for less than the maximum permitted in order to strike a balance between our assessments for both capacity and feasibility versus optimizing the chances for an award. The determination specifying the requested amount for the selected activity cannot be made until staff have thoroughly analyzed the feasibility of success with the various options considering management-, vendor- and staff capacity -- to be completed over the next several weeks. The minimum award is \$1,000,000 per each program activity and the maximum is \$5,000,000 with an overall \$5,000,000 maximum per applicant.

Proposals are evaluated on criteria which change from year to year and for 2024 include the following:

- Capability to operate the program demonstrated by prior experience – we score full points due to our recent experience operating both MA and OOR programs.
- Community Need scores are prepopulated based on U.S. Census data for Alameda county and not the specific targeted service area of the proposed program. The criteria are drawn from statistics such as the percentage of housing-cost burdened households, and the percentage of low-income homeowners, and in many cases is not a fitting proxy for Oakland's own housing stats which generally reflect more poverty and greater need than the county as whole.
- Feasibility scores are also prepopulated based on U.S. Census data for Alameda county and not the specific targeted service area of the proposed program. The criteria are drawn from statistics such as the percentage of households overcrowded, and the cost of single family homes and in many cases is not the best proxy for Oakland's own housing stats which in generally reflect greater need than the county as whole.
- Community Revitalization we score full points by electing to restrict the program's geographic area to the Climate Justice zones of Oakland which align well with our policy to assist communities most in need. A coverage map and highlights are provided above.
- Volunteer Help/Self Help we score no points since we do not have plans to utilize volunteer help but might consider this in the future to collaborate with a Habitat for Humanity or a similar model.
- Increases Affordable Housing Supply we score points for programs that create new housing or add new supply, just ADU scores here.
- Households Served provides higher scores to reward applicants for serving more households and has some overlays. Is limited by the maximum funding caps and by our assessment of being able to expend the funds within the 3-year contract term. While CAHCD has a history of providing a 1-year extension for successful programs we cannot rely on that in the planning stages. We strive to avoid the penalty of the grantor's Negative Points penalty for failure to meet performance deadlines -- as that penalty could impact our future State NOFA application scores for a period of two years.
- Prohousing Designation we receive full points for this coveted designation.

**FISCAL IMPACT**

If awarded these funds, the City would receive grant funds in an amount not to exceed \$5 million from the CA-HCD CalHome program for the purpose of making ADU new construction loans and providing technical assistance pursuant to the program guidelines. **Table 3**, below, identifies the account codes for deposit of the grant funds.

**Table 3: Project Funding Codes**

<b>Fund Source</b>	<b>Organization</b>	<b>Account</b>	<b>Project</b>	<b>Program</b>	<b>Amount</b>
California Housing & Community Development	Homeownership Programs or Municipal Lending Programs	Loan Expenditures: Grant-Funded	CalHome Program	Homeownership Programs or Municipal Lending Programs	
Grant Fund 2144	89939	Loan Expenditure Account 58312	New ADU Project Code TBD	TBD	A minimum of \$1,000,000 and not to exceed \$5,000,000

There is no local match requirement, and existing budgeted staff will administer the program with the aid of consultants, ADU builders, and/or others as determined by the program administrative plan to be developed prior to state approval and final implementation.

The CalHome ADU grant award provides for allocation of up to 20% of the total grant funds (\$1,000,000 if awarded the proposed \$5,000,000 grant) to cover the cost of program administration, allowing necessary tasks (inspections, appraisals, client coordination and education, project management) to be contracted out to allow staff to focus on program management, oversight, and general administration.

**PUBLIC OUTREACH / INTEREST**

There was no public outreach conducted regarding this specific agenda report and legislation due to the limited time between the December 12, 2024 grant announcement and the January 6, 2024 submission timeline for the agenda package. However, City leaders have publicly called for more programs supporting homeownership opportunities and sustainability for Oaklanders and on an ongoing basis staff continue to receive inquiries from prospective applicants, homeowners, homebuyers, lenders, local nonprofits and housing counselors, and real estate professionals inquiring about availability of program funds to operate these vital programs.

**COORDINATION**

This report and legislation has been reviewed by the Office of the City Attorney and the Budget Bureau. If the City is to be awarded these grant funds as a result of this recommendation to apply, HCD staff will administer the programs from the new ADU funding source. Coordination among internal departments and stakeholders is anticipated to be minimal, though consultations



with Planning and Building, and Contract Compliance will be undertaken during the planning process.

### **SUSTAINABLE OPPORTUNITIES**

**Economic:** Expanding affordable homeownership opportunities and habitable units for low-income families, seniors and Oakland's disabled community, in addition to expanding economic opportunity and increasing family wealth.

**Environmental:** Expanding sustainable homeownership opportunities close to employment centers reduces greenhouse gas generation by avoiding long auto commutes from less expensive, geographically distant communities. Less bay area commuting translates into healthier air for all community members. Home repairs and renovations result in increased energy efficiency.

**Race & Equity:** The use of CalHome funds as proposed in this report promotes equity in the activities under consideration: providing assistance to low-income families promotes equity to lift up those most impacted by the disparate impacts of housing insecurity and prevent displacement.

In Oakland's recent history adding unsubsidized ADUs, the overwhelming majority were built by affluent white households, the ADU Construction program directly addresses this inequity.

HCDD does not currently operate a program to subsidize New Construction ADU's. However, HCDD's Residential Lending Program (RLS) targets services to low-income homeowners, and it is expected a similar demographic population will be served by the New Construction ADU program. In the 7-year period 2017-2023, the RLS program has served 42 households, which is an average of approximately 18 households served per year. The households served have the following racial demographics: 82% Black, 12% White and 6% Latinx.

Based on this historical data, the assistance loan funds are expected to result in a majority of assistance being distributed to historically underserved communities, with the largest share to African Americans, thereby advancing the City's racial equity policy goals.

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**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To (1) Apply For, Accept And Appropriate CalHome Grant Funds In An Amount Not To Exceed \$5 Million From The California Department Of Housing And Community Development 2024 Homeownership Super Notice Of Funding Availability And (2) Execute A Standard Agreement And Any Amendments Thereto In Connection With The California Department Of Housing And Community Development 2024 Homeownership Super Notice Of Funding Availability.

For questions regarding this report, please contact Christia Katz Mulvey, Housing Development Manager at 510-238-3623, or Nicki Duesberg, Homeownership Programs Coordinator at 510-238-6158.

Respectfully submitted,

*Emily Weinstein*

Emily Weinstein (Jan 16, 2025 16:52 PST)

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