



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Emily Weinstein
Interim Director, Housing
and Community
Development

SUBJECT: FEMA Grant for Residential Soft Story
Seismic Retrofits

DATE: May 9, 2023

City Administrator Approval


Jestin Johnson (Jun 12, 2023 11:24 PDT)

Date: Jun 12, 2023

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution:

- 1) Authorizing The City Administrator To Apply For, Accept, And Appropriate Up To Ten Million Dollars (\$10,000,000) In Hazard Mitigation Grant Program Funds From The Federal Emergency Management Agency (FEMA) And The Governor's Office Of Emergency Services (CalOES); And**
- 2) Authorizing The City Administrator To Apply For, Accept, And Appropriate Up To Three Million Three Hundred Thirty-Three Thousand Three Hundred Thirty-Three Dollars (\$3,333,333) In Prepare California Match Program Funds From CalOES To Continue The Soft Story Apartment Seismic Retrofit Grant Program.**

EXECUTIVE SUMMARY

Approval of the proposed resolution will authorize the City Administrator to apply for, accept, and appropriate up to \$10,000,000 of funds from the Hazard Mitigation Grant Program (HMGP)¹ administered by the Federal Emergency Management Agency (FEMA) and the California Governor's Office of Emergency Services (CalOES), as well as up to \$3,333,333 of matching funds from CalOES through the Prepare California² initiative, for a total of up to \$13,333,333.

This combined grant will extend funding for the existing Safer Housing for Oakland Program (SHOP), a seismic retrofit grant program for apartment buildings with a "soft story" weak ground floor condition especially vulnerable to collapse during an earthquake. The program was established with an HMGP award in 2016 and a second HMGP award is expected to be released in Fall of 2023 to fund the program through 2026. This new application is for the third award to carry the program through 2029. The supplementary Prepare California Match funding request from Cal OES included as part of this new application and also included in the pending second grant would cover the required 25% local match, resulting in no need for commitment of City of Oakland (City) funds and up to 100% reimbursement to property owners depending on funds availability. That companion grant has already been confirmed for the pending award and

¹ <https://www.caloes.ca.gov/cal-oes-divisions/recovery/public-assistance/404-hazard-mitigation-grant-program>

² <https://www.caloes.ca.gov/cal-oes-divisions/recovery/disaster-mitigation-technical-support/prepare-california>

the City is again a competitive applicant for the new application, meeting all criteria in terms of need and location. If this HMGP application is successful but the secondary match grant is not awarded, the program may continue in a slightly altered format. Project reimbursement would be capped at 75% allowing participating property owners to provide the 25% local contribution. City reimbursement for staffing expenses would be reduced only minimally, due to the HMGP five percent Grant Administration allowance that requires no local match.

And although the program was initially created to encourage voluntary seismic retrofits in 2016, Oakland's Mandatory Seismic Retrofit Ordinance was passed in 2016 (13516 C.M.S) requiring identified buildings to be assessed and strengthened if a soft story condition is found. Approximately 1600 buildings remain on the Planning and Building Department's list of potential subject properties as of December 2022,³ and many owners have submitted hardship requests to delay this requirement due to lack of financing. Additional funding through 2029 will continue to support property owners' ability to retrofit these buildings as promptly as possible, ultimately preserving units, lowering health and safety risks, and minimizing financial impacts on both owners and tenants.

The pending second and proposed third round of HMGP funding will target buildings located in low- to moderate-income areas designated as vulnerable by Cal OES. These tracts are shown in [Attachment A](#), with potential 5+ unit retrofit sites as prioritized for the next two grant periods. A visual inspection of each site to confirm the presence of a soft story condition will be performed to refine this list further during the application process.

BACKGROUND / LEGISLATIVE HISTORY

In 2016, the City was awarded \$4.5 million of HMGP funding from FEMA and Cal OES that resulted in the creation of the SHOP Program to retrofit apartment buildings of 5 or more units with a "soft story" weak ground floor condition. These structures were built prior to improved seismic building code standards adopted in the early 1990's and are well known to be especially vulnerable to earthquakes. SHOP was originally intended to provide financial support to building owners for voluntary strengthening of these types of structures, given the significant expense of \$70,000 to \$250,000 or more for a typical project. Soft story buildings have since become subject to Oakland's Mandatory Retrofit Ordinance passed in 2019 (13516 C.M.S),⁴ increasing the pressure on owners of these rent-controlled units to finance their project quickly and meet deadlines set by the Planning and Building Department.

There were 250 applications for the first SHOP award, which required a 25 percent local cost match from the owner and was not geographically restricted. Between 2019 and 2022 the program completed 37 projects with 586 total units. SHOP has been paused since the grant was closed in March of 2022, but a second HMGP application was submitted in 2022 for \$10 million to retrofit 70-80 additional buildings in priority census tracts designated as vulnerable by the State of California in terms of low-to -moderate income residents and earthquake

³ <https://www.oaklandca.gov/topics/ssretrofit>; <https://cao-94612.s3.amazonaws.com/documents/List-of-Subject-Properties-as-of-Dec-2022.pdf>

⁴ <http://oakland.legistar.com/gateway.aspx?M=F&ID=a393075d-a902-45a5-b17b-be4f0203ba56.pdf>

vulnerability.⁵ This second award is expected by Fall of 2023 to extend SHOP through 2026. The current application is for a third grant of \$10 million to support 70-80 additional retrofits over three more years through 2029, also targeting these vulnerable areas, located primarily in West Oakland and in the neighborhoods stretching east and along the International Blvd corridor. This award would be anticipated by late 2025, just as the last projects funded by the preceding grant are being approved to proceed and providing sufficient budget overlap to prevent delays with the project approval and construction pipeline.

As of December 2022, there were approximately 1600 remaining “potential subject buildings” on the list published by the Planning and Building Department to monitor compliance with the 2019 soft story mandatory retrofit ordinance⁶. This list contains buildings that *may* have a soft story condition based on the type of construction and year built, and that have not been determined exempt or have completed the required retrofit. The Department of Housing and Community Development (HCD) now seeks to pursue additional HMGP funding to continue retrofitting these vulnerable structures, including properties that were not selected or completed under preceding awards due to limited time and resources.

On January 14, 2023, President Joseph R. Biden Jr. declared disaster DR-4683 in California based on emergency needs related to severe winter storms, triggering additional FEMA HMGP funding opportunities for the State of California. CalOES is responsible for administering State HMGP funds to sub-recipients, identifying program priorities, reviewing sub-applications, and forwarding the recommendations to FEMA, which has final approval of activity eligibility and sub-recipient awards. Seismic projects are again eligible for HMGP funding under the 2023 grant cycle, which also continues to prioritize hazard mitigation projects that will protect disadvantaged communities and /or compliment previous mitigation actions. This aligns with HCD’s priorities for targeting resources to the City’s low-income residents and will allow the City’s application to emphasize building needs in the most vulnerable and income-challenged areas of Oakland.

The base HMGP award of \$10 million would provide reimbursement of up to 75 percent of eligible project and administrative costs with a 25 percent required local match, for a total project budget of \$13.3 million. The local match was met during the first grant period through a combination of owner contributions and other HCD funding set-asides. However, in January 2022 CalOES introduced a state funded Prepare California (Prepare CA) initiative that includes the opportunity to concurrently request supplementary funds from CalOES to cover the match using a combined *Prepare CA Match – FEMA HMGP* application. This additional funding requires a focus on resilience in vulnerable and high hazard risk communities identified on the [CalOES Hazard Mitigation Division’s Vulnerability Map](#),⁷ which overlap closely with zip codes identified in HCD’s 2021-2023 Strategic Action plan as experiencing a high degree of housing instability⁸. This presents an improved opportunity to provide a more significant subsidy to property owners and tenants, reach more households in vulnerable communities that are

⁵ CalOES Hazard Mitigation Division’s Vulnerability Map:

<https://calema.maps.arcgis.com/apps/dashboards/3c78aea361be4ea8a21b22b30e613d6e>

⁶ <https://cao-94612.s3.amazonaws.com/documents/List-of-Subject-Properties-as-of-Dec-2022.pdf>

⁷ <https://www.arcgis.com/apps/dashboards/677300969f9b4d4786d75aaa534318e6>

⁸ 94601, 94605, 94621, 94606 and 94607; <https://cao-94612.s3.amazonaws.com/documents/HCD.final.21-21Strategic-Plan.pdf>

already a priority for Oakland, and budget for staffing capacity to make the most efficient use of funds. The City has already received preliminary approval for the Prepare CA match portion of the second, pending grant budgeted for 2023-2026.

On May 10th, 2023, the Department of Housing and Community Development submitted a Notice of Interest (NOI) to CalOES expressing the intent to apply for a 2023 grant to support SHOP, including supplementary Prepare CA Match funds. The City anticipates being invited to submit a full sub-application prior to the June 27th, CED meeting and will be prepared to do so by the August 4th deadline. The application will require a cost-benefit analysis to evaluate the cost effectiveness and impact of the proposed activities and a geographic analysis of potential projects in Prepare CA priority areas to determine the total proposed grant budget and reimbursement structure. Staff will prioritize sites through a visual review of the 493 buildings in eligible Prepare CA tracts, shown in **Attachment A**. This review will begin with 250 Priority buildings in Strategic Action Plan zip codes then to the 243 Secondary buildings in remaining eligible areas. The visual survey conducted for the 2022 application suggests that the number of buildings of the type that are targeted for the program could be less than half the number on the combined list of 493 buildings. The process of determining eligibility for SHOP with this level of detail provides the additional benefit of contributing to the large task of screening the potential soft story list down to a more focused identification of the most vulnerable buildings Oakland.

ANALYSIS AND POLICY ALTERNATIVES

Seven different fault systems run through the San Francisco Bay Area, making earthquakes the most pervasive safety hazard in the region. Rupture along significant fault lines causes ground shaking that can lead to building and infrastructure collapse and secondary hazards such as fire, flood, ruptured gas lines, and falling debris. The San Andreas Fault along the coast of San Francisco is possibly the most well-known of these systems, having caused the great San Francisco earthquake and fire in 1906. But although a major seismic event on any of these faults could bring catastrophic damage to Oakland, the Hayward Fault bisects the city, making it a significant, urgent concern. The Hayward Fault has been studied extensively and is the region's and perhaps the country's most dangerous due to its highly urban location and the length of time since the last major quake.⁹ The Hayward fault is shown on the right side of the map in **Attachment A**, along the eastern side of the city.

In 2018 the United States Geologic Survey USGS reported evidence of 12 major quakes on the Hayward Fault during the past 1,900 years, with an average interval of 138 years.¹⁰ It has now been 158 years since the last major quake, and experts believe that the Hayward Fault has reached the point where a powerful, damaging quake can be expected at any time. All of Oakland will experience strong shaking due to an earthquake on this fault and older vulnerable building types will experience disproportionate damage. Without proactive measures to reduce risk following a major earthquake, Oakland would likely be faced with a significant loss of life and an exacerbated housing crisis hampering community recovery. SHOP provides owners of high-risk soft-story apartment buildings with both technical and financial assistance to improve the safety of this critical housing stock as quickly as possible.

⁹ <https://www.usgs.gov/news/featured-story/hayward-fault-it-due-a-repeat-powerful-1868-earthquake>

The proposed combined *PrepareCA Match – FEMA HMGP* grant application fully supports the Citywide priorities of **housing, economic, and cultural security**, and specifically two of HCD's core priorities of **housing Protection and Preservation**. This funding would allow continued financial assistance to residential property owners to complete code-compliant seismic retrofits of 60-80 soft story rental apartment buildings between 2025 and 2029. This will ensure prompt completion of safety measures the City has already deemed mandatory and will (1) make housing safer and save lives, (2) preserve existing units, (3) protect tenants from capital improvement rent increases, (4) facilitate housing recovery, (5) keep Oakland residents in Oakland, and (6) conserve resources supporting economic recovery in the event of a major disaster.

Safer Housing for Oakland (SHOP): A Soft Story Apartment Seismic Retrofit Program

Soft story buildings were most prone to collapse during the 1989 Loma Prieta and 1994 Northridge earthquakes. In Oakland alone, 1,300 housing units in multi-family buildings were lost or severely damaged in 1989. These buildings were a significant affordable housing resource for elderly and low-income residents. The Association of Bay Area Governments (ABAG) estimates that damage to soft story buildings in Oakland could cause two-thirds of housing losses during the next significant earthquake, although they comprise only 11 percent of the occupied housing units¹¹.

Oakland began soft story building screening efforts in 2009 and has been part of a regional effort to quantify earthquake risk and hazard mitigation needs with partners such as ABAG. This laid the foundation for Oakland's mandatory retrofit ordinance established in 2019 and the current list of 1,600 potential buildings at risk of substantial damage or collapse in the event of a major seismic event.¹² Although a visual review is necessary to confirm this condition for each on this list, these structures could represent anywhere from 10,000 to 20,000 of Oakland's rental units, the majority of which are in low- to moderate-income neighborhoods. Loss of these units could displace far more residents than can be provided emergency shelter in the City's inventory of beds. It would also potentially result in long term loss of existing naturally occurring affordable units that are likely to return at premium market rates if rebuilt.

But despite the high risk of injury and property loss, the typical cost of 70,000 to \$250,000 per retrofit can be prohibitive for most property owners, even with the pressure of the mandatory requirement. Owners are likely to delay completion, delay other needed repairs, or even be forced to sell at a reduced price. When projects are completed, the cost burden is almost guaranteed to be shifted to tenants in the form of capital improvement rent increases.

The SHOP Program was developed in 2016 to offer property owners reimbursement of up to 75 percent of the cost of what was then a voluntary retrofit. Even with voluntary participation, SHOP expended the grant almost completely with 37 projects and 586 units completed. Implementation of the mandatory requirement in 2019 greatly increased the demand for assistance and extending SHOP funding is a critical piece of completing these expensive retrofits without delay. In addition to supporting owners, this also greatly reduces rent increases

¹¹ https://abag.ca.gov/sites/default/files/soft_story_report_web_version_v2.pdf

¹² <https://cao-94612.s3.amazonaws.com/documents/List-of-Subject-Properties-as-of-Dec-2022.pdf>

that would result from the pass-through of those capital improvement costs to tenants in these rent-controlled units.

The number of retrofit projects that receive financial support from an award under the federal declared disaster DR-4683 will be based on the total award amount and whether the companion Prepare CA Match funding is included. Subsequent eligibility criteria may be established by the City at the time of the award. Staff anticipates that \$10,000,000 from FEMA and \$3,333,333 of matching funds from CalOES will provide funding to retrofit 60 to 80 properties between 2025 and 2029.

Eligibility and Program Priorities

A preliminary group of potential buildings has already been identified for both the 2023-2026 and 2026-2029 award periods. Eligible buildings must be subject to Oakland's city-wide Mandatory Soft-Story Retrofit Ordinance established in 2019: wood-frame residential buildings having 2 or more stories, 5 or more units, and built before 1991, with commercial or parking uses on the ground floor. The vulnerable "soft" story condition can often be easily identified by tuck-under parking bays or large open spaces, but an engineering evaluation will be needed to determine whether buildings within this class lack sufficient lateral resistance to seismic forces and whether they should be retrofitted.

In addition, buildings must be located in census tracts identified as eligible on the CalOES Hazard Mitigation Division's Vulnerability Map.¹³ **Attachment A** shows these tracts overlaid with the City's list of 1600 potential soft story buildings, with 75 sites already proposed for the pending grant for 2023-2026 and the remaining 493 buildings that may be eligible for assistance from 2026-2029. Once visual review of these properties is complete and funding becomes available, properties that remain on the eligible list will be contacted directly with additional information.

Participating building owners will be provided guidance to hire an engineer or architect to confirm soft story vulnerabilities and design a compliant solution, then hire a licensed general contractor to complete construction through an established, competitive bidding process. The grantee must finance the project through all phases and to construction completion by provided deadlines before SHOP will reimburse a portion of established, eligible costs. The amount of per-project reimbursement will be determined and made public once the grant is awarded by CalOES.

FISCAL IMPACT

If City Council adopts the recommended resolution, no commitment of City funds will be required. If awarded, FEMA funding will be appropriated to the Safer Housing for Oakland Program, Grant Fund to be determined (TBD), Housing Administration Organization (89919), and Residential Lending Organization (89939), Project number to be determined (TBD), and Prepare CA Match funding will be appropriated to the Safer Housing for Oakland Program,

¹³ <https://calema.maps.arcgis.com/apps/dashboards/3c78aea361be4ea8a21b22b30e613d6e>

Grant Fund to be determined (TBD), Housing Administration Organization (89919), and Residential Lending Organization (89939), and Project number to be determined (TBD).

PUBLIC OUTREACH / INTEREST

The Planning and Building Department estimates that there are potentially 1,600 apartment buildings in Oakland that remain vulnerable due to a soft-story condition and that fall under the mandatory soft story retrofit ordinance, 568 of which are in tracts eligible for this combined grant. This indicates that interest will far exceed available HMGP funds. Eligible property owners on the list of SHOP priority buildings at the time of award of funds will be contacted directly via mail regarding this opportunity with language assistance and translation of program materials as needed.

COORDINATION

The Department of Housing and Community Development has consulted with the Planning and Building Department, on this program, with review by the Budget Bureau and Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: Project funds awarded from HMGP will result in significant cost-savings for property owners, residents, and public agencies by mitigating damage to buildings, loss of human life, serious injuries and loss of needed housing units that may result from seismic events.

Environmental: By decreasing the risk of structural damage and collapse caused by seismic events, retrofits reduce building material waste and reduce the use of new materials needed to repair and reconstruct earthquake-damaged buildings. By preventing potential loss of infill housing units, retrofits also curb longer commutes that result in increased greenhouse gas emissions.

Race and Equity: Demographic data shows that Oakland's housing and homelessness crisis disproportionately impacts Oakland's lower-income residents and in particular the African American community. If awarded this funding, the SHOP program would directly address these disparities by prioritizing retrofits in low- to moderate-income areas. Providing financial assistance to property owners to reduce the cost burden of seismic retrofits will be particularly beneficial to lower-income owners who would not otherwise be able to afford the entire cost of a retrofit, and the subsidies will prevent rent increases to tenants through pass-through of Capital Improvement costs. Retrofitting soft story apartment buildings will prevent the loss of critically needed rental units subject to the City's Rent Adjustment Ordinance. Retrofits protect housing occupied by elderly, disabled, low-income or otherwise vulnerable residents most likely to be permanently displaced or rendered homeless due to earthquake damage. Outreach will be conducted as soon as HMGP funds are awarded with language assistance and translation of program materials as needed.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that City Council adopt a resolution: 1) Authorizing The City Administrator To Apply For, Accept, And Appropriate Up To Ten Million Dollars (\$10,000,000) in Hazard Mitigation Grant Program Funds From The Federal Emergency Management Agency (FEMA) And The Governor's Office Of Emergency Services (CalOES); And 2) Authorizing The City Administrator To Apply For, Accept, And Appropriate Up To Three Million Three Hundred Thirty-Three Thousand Three Hundred Thirty-Three Dollars (\$3,333,333) In Prepare California Program Funds From CalOES To Continue The Soft Story Apartment Seismic Retrofit Grant Program.

For questions regarding this report, please contact Jean Casey, Project Manager Housing and Community Development at (510) 238-3598.

Respectfully submitted,


Emily Weinstein (Jun 8, 2023 21:33 PDT)

EMILY WEINSTEIN
Interim Director, Housing and Community
Development

Reviewed by:
Larry Gallegos, Interim Deputy Director,
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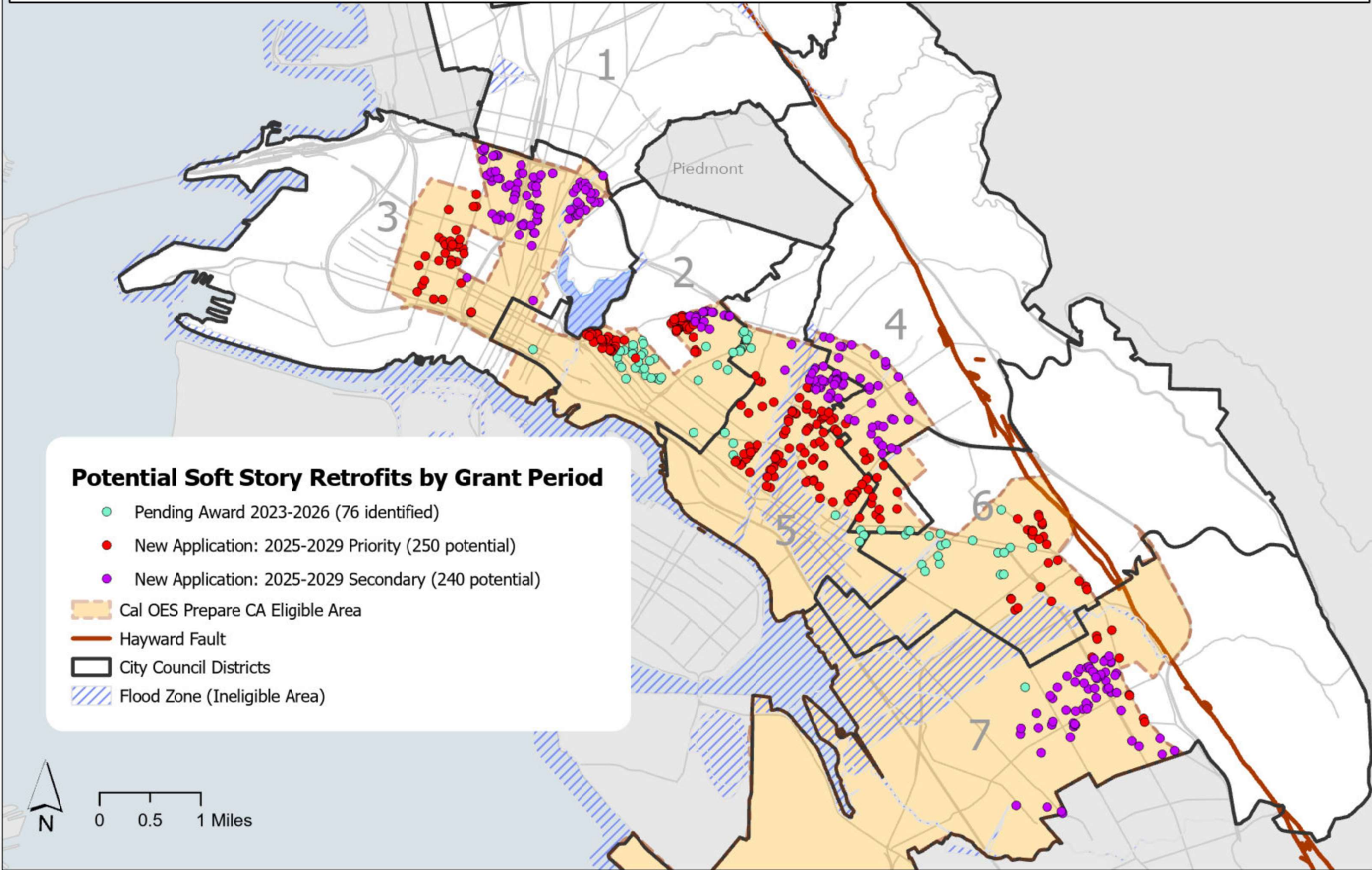
Prepared by:
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Residential Lending and Rehabilitation Services

Attachments:
Attachment A: Potential Soft Story Retrofit Sites



ATTACHMENT A: Safer Housing for Oakland Program (SHOP) Potential 5+ Unit Soft Story Seismic Retrofit Sites 2023-2029

FEMA Hazard Mitigation Grant Program, California Governor's Office of Emergency Services (CalOES)



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