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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Maraskeshia Smith
Assistant City Administrator

SUBJECT: CalHome Grant Application

DATE: January 6, 2020

City Administrator Approval

Date:

1/14/2020

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Authorizing The City To Apply For, Accept, And Appropriate Grant Funds From The California Department Of Housing And Community Development In An Amount Not-To-Exceed \$3 Million Under The CalHome Program For Accessory Dwelling Unit and Junior Accessory Dwelling Unit Programs.

EXECUTIVE SUMMARY

Staff recommends that the City Council adopt a resolution authorizing staff to submit an application to the California Department of Housing and Community Development (CA-HCD) for a grant from the CalHome Program, in an amount not-to-exceed \$3 million. If the application is successful, the awarded grant funds will be used for owner-occupied rehabilitation assistance, targeting the reconstruction and rehabilitation, new construction, repair, and the rehabilitation of Accessory Dwelling Units (ADUs) or Junior Accessory Dwelling Units (JADUs). The CA-HCD Notice of Funding Availability (NOFA) application packets will be due on February 17, 2020 by 5:00 P.M.

This resolution authorizes the City to:

- Apply to CA-HCD for a CalHome grant in an amount not-to-exceed \$3 million.
- Enter into a funding agreement with CA-HCD when the City is awarded program funds.
- Accept and appropriate the funds in order to fulfill the program purpose of providing financial assistance for the housing rehabilitation of 1-4 unit residential structures targeting the new construction, repair, and rehabilitation of Accessory Dwelling Units when the City is awarded program funds.

BACKGROUND / LEGISLATIVE HISTORY

CalHome

CalHome was created by Senate Bill (SB) 1656, Chapter 84 of the Statutes of 2000, which took effect on July 5, 2000, to add Chapter 6, commencing with Section 50650, to the Health and Safety Code. The first CalHome NOFA was issued in November 2000, and the first funding awarded in April 2001.

Effective September 2019, CA-HCD's authority to operate the CalHome program was revised under SB 3 (Chapter 365, Statutes 2017) authorizing the Veterans and Affordable Housing Bond Act of 2018. SB 3, adopted by voters on November 6, 2018 (Proposition 1), authorized the issuance of \$300 million of State General Obligation Bonds for the CalHome program. The bill also provided that CA-HCD may adopt guidelines establishing program requirements that would only apply to funds awarded by Proposition 1.

CA-HCD's stated program purpose is that funds are deployed to "assist the existing local homeownership programs aimed at low- and very low-income households in order to increase homeownership, encourage neighborhood revitalization and sustainable development, and maximize the use of existing homes."

To date, the City Council has authorized staff to apply for the CalHome grant five times. City applications received awards in 2003, 2007 (Resolution No. 80513 C.M.S.), and 2010 (Resolution No. 82822 C.M.S.), totaling \$2,575,000 for the "Oakland CalHome" program that provides assistance to first time homebuyers.

Residential Lending Services (RLS)

On November 11, 1975, the Oakland City Council passed Ordinance No. 9233 C.M.S. adopting the initial version of the Home Maintenance and Improvement Program. Since then, the City's Residential Lending Services division (RLS) has developed and implemented a variety of programs to assist homeowners with the rehabilitation of 1-4 unit properties and has invested considerable funds into programs that increase and promote sustaining housing rehabilitation opportunities for low-income homeowners. The rehabilitation of owner-occupied properties helps to stabilize neighborhoods and slow the effects of community gentrification by providing long-term housing affordability.

ANALYSIS & POLICY ALTERNATIVES

Through a competitive NOFA application process, the CalHome program offers a grant to local jurisdictions to advance programs that enable low- and very low-income households to become or remain homeowners. Grant applicants have flexibility in shaping the program for which they propose to use the CalHome funds as long as basic program guidelines are met. One of these guidelines is that eligible borrowers must be low income, with household incomes no higher than 80 percent of Area Median Income (AMI). In addition, the 2019 NOFA included as an eligible use ADU/JADU Programs.

Use of CalHome Funds

After approval, the CalHome funds will be used to provide low interest, deferred-payment loans to low-income homeowners for the rehabilitation and new construction of Accessory Dwelling Units.

Staff recommends the following program components:

- A simple interest rate of up to 3 percent, consistent with the City's existing owner-occupied rehabilitation loan programs.
- Deferred, and payable in full, upon sale or transfer of the home or when the property ceases to be owner-occupied.
- The maximum amount of the CalHome Program assistance will be \$100,000 (or greater, if CalHome designates an increased loan amount) per unit.
- The assistance loans will be evidenced by a Promissory Note.
- The loans will be secured by a Deed of Trust recorded on the property.
- Funds will be made available on a first-come, first-served basis.

When awarded the \$3 million grant, the City will fund approximately thirty (30) construction loans.

FISCAL IMPACT

If awarded, the City would receive a grant in the requested amount of \$3 million, from the CA-HCD CalHome program for the purpose of awarding housing rehabilitation loans, pursuant to the Department of Housing and Community Development CalHome program guidelines. Funds will be deposited into the California Department of Housing and Community Development Fund (Fund 2144).

There is no match requirement, and existing staff will administer the program.

PUBLIC OUTREACH

There was no public outreach conducted regarding this agenda report and legislation beyond the standard City Council agenda noticing procedures. City staff continues to receive regular calls from homeowners requesting rehabilitation assistance.

COORDINATION

Staff produced this report in coordination with the City Attorney's Office and the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

If the application for CalHome grant funds is authorized as recommended, and the funds are awarded by CA-HCD, the following sustainable opportunities will be realized:

Economic: Expanding housing rehabilitation opportunities for low-income families, seniors, Oakland's disabled community and the unsheltered, in addition to expanding economic opportunity and increasing family stability.

Environmental: Expanding homeownership opportunities close to employment centers provides a reduction of greenhouse gas generation by avoiding long auto commutes from less expensive, geographically distant communities. Less Bay Area commuting means healthier air for the community.

Race & Equity: The use of CalHome funds as proposed in this report promotes social equity by providing assistance to low-income families to rehabilitate their homes. Livable homes have a positive impact on the quality of life for families, residents, and their neighborhoods through stabilized community bonds, pride of ownership, and increased wealth.

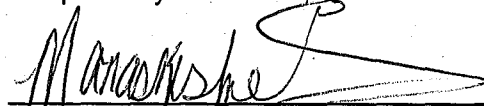
The City's provision of financial assistance helps to mitigate the imbalance in home improvement lending to disadvantaged communities. Federal data indicates that communities of color and low-income communities receive less home improvement financing than those in affluent communities. Housing rehabilitation assistance expands opportunities for low-income borrowers to secure housing in resource-rich neighborhoods.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt the resolution authorizing the City Administrator or her designee to apply for, accept, and appropriate grant funds from the California Department of Housing and Community Development in an amount not to exceed \$3 million under the CalHome Program for an Accessory Dwelling Unit (ADU) and Junior Accessory Dwelling Unit (JADU) Programs.

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

Respectfully submitted,



MARASKE\$HIA SMITH
Assistant City Administrator

Reviewed by:
Maryann Leshin, Deputy Director
Housing and Community Development

Prepared by:
Loyd Ware, Residential Lending Services Manager
Housing and Community Development

2020 JAN 17 AM 9:16

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY TO APPLY FOR, ACCEPT AND APPROPRIATE GRANT FUNDS FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT IN AN AMOUNT NOT TO EXCEED \$3 MILLION UNDER THE CALHOME PROGRAM FOR ACCESSORY DWELLING UNIT AND JUNIOR ACCESSORY DWELLING UNIT PROGRAMS

WHEREAS, the California Department of Housing and Community Development ("CA-HCD") has announced an upcoming 2019-2020 funding availability ("NOFA") for the CalHome program currently operating under Health and Safety Code, Section 54000 et seq. and Military and Veterans Code Section 998.600 (collectively, the "Statutes"); and

WHEREAS, CA-HCD is authorized to approve funding allocations to the CalHome program, subject to the terms and conditions of the Statutes and the CalHome Program Regulations adopted by CA-HCD; and

WHEREAS, the City of Oakland currently operates the Home Maintenance and Improvement Program to provide loans and technical assistance to very low and lower-income homeowners (e.g. those with household incomes of not more than 80% of the Area Median Income (AMI)); and

WHEREAS, the City of Oakland desires to submit an application to obtain an allocation of 2019-2020 CalHome grant funds from CA-HCD in an amount not to exceed the \$3 Million for home owners for the rehabilitation and/or new construction of Accessory Dwelling Units ("ADU") and Junior Accessory Dwelling Units ("JADU"); and

WHEREAS, no matching funds are required for the CalHome program; and

WHEREAS, there is a substantial need for additional funds to assist in providing financial assistance to lower-income homeowners in Oakland; and

WHEREAS, if awarded, grant funds from the CA-HCD CalHome program will be used to fund the Home Maintenance and Improvement Program to allow the City to provide loans to homeowners; now, therefore, be it

FURTHER RESOLVED: That the City Council hereby appoints the City Administrator or his or her designee as agent of the City to conduct negotiations, execute documents required by CA-HCD, and take any other action, including negotiating the amount, terms, and conditions of the Oakland CalHome Program loans to homeowners, funded with the CA-HCD CalHome program funds consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND
PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California