



AGENDA REPORT

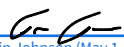
TO: Jestin D. Johnson
City Administrator

FROM: Emily Weinstein
Director, Housing and
Community Development

SUBJECT: Home Rehab Program: Limit Increase
& Consultant

DATE: April 18, 2025

City Administrator Approval


Jestin Johnson (May 1, 2025 20:10 PDT)

Date: **May 1, 2025**

RECOMMENDATION

Staff Recommends That City Council Adopt The Following Pieces of Legislation:

- 1) A Resolution To: (1) Increase The Grant Limit Of The Lead Safe And Healthy Homes Program From \$33,575 to \$40,000 Per Project; (2) Increase The Grant Limit Of The Access Improvement Program From \$33,575 To \$40,000 Per Project and From \$53,720 to \$60,000 Per Project If a Wheelchair Lift Is Required; (3) Increase The Loan Limit Of The Emergency Home Repair Program From \$33,575 to \$40,000 Per Project; (4) Increase The Loan Limit Of The Home Maintenance Improvement Program From \$167,874 To \$250,000 Per Project; (5) Modify The City's Residential Lending Home Rehabilitation Program Guidelines To Allow For Annual Increases To Grant And Loan Per Project Limits Of Home Rehabilitation Programs In The City Administrator's Discretion, Without Returning To Council;**
- 2) A Resolution To: (1) Authorize The City Administrator To Enter Into A Professional Services Agreement With Habitat For Humanity East Bay/Silicon Valley, Inc. To Provide Lending And Construction Services In Support Of The Residential Lending And Home Rehabilitation Program In An Amount Not To Exceed \$1,500,000 From July 1, 2025 Through June 30, 2029; (2) Waive The Local And Small Local Business Enterprise (L/SLBE) Requirements For The Proposed Agreement; And (3) Authorize The City Administrator to Increase the Not to Exceed Amount Using Any Community Development Block Grant (CDBG) Funding From The U.S. Department of Housing and Urban Development (HUD) That Becomes Available For The Agreement Of The Term, Including Any Extension, And To Extend The Term Of The Agreement For Up To Four Additional Years Subject To Funding Availability, Without Returning to Council.**

EXECUTIVE SUMMARY

Since 1977, Housing and Community Development's (HCD) Residential Lending Services (RLS) programs have provided vital housing rehabilitation services and financing to low-income homeowners to address deferred maintenance and health and safety needs using a portion of Oakland's allocation of Community Development Block Grant (CDBG) funds. CDBG is allocated by the Federal Department of Housing and Urban Development (HUD) as a formula grant to the City of Oakland on an annual basis. Oakland receives a total of approximately \$7 million in annual CDBG allocation; of this, approximately \$1,800,000 is annually allocated to the RLS programs described below, including program funding from prior loan repayments. CDBG funds must be timely spent and failure to meet timeliness requirements in the CDBG program can lead to several consequences, including grant reductions, recapture of funds, and potential loss of future funding. Due to staffing shortages and pandemic-related disruptions, RLS programs have struggled to meet their annual CDBG expenditure goals in recent years. As a result, staff is requesting multiple program improvements to strengthen the efficiency and effectiveness of HCD's residential rehabilitation programs and increase the amount of RLS program expenditures to meet CDBG expenditure goals.

First, staff is requesting approval to raise grant and loan limits for several existing RLS programs in response to rising construction costs and growing service demands. Proposed adjustments include:

- increasing the Lead Safe and Healthy Homes Program From \$33,575 to \$40,000,
- increasing the Access Improvement Program (AIP) and Lead-Safe Paint Program (LSHP) grant limits from \$33,575 to \$40,000 (or up to \$60,000 for AIP projects that include a wheelchair lift),
- raising the Emergency Home Repair Program (EHRP) loan limit from \$33,575 to \$40,000, and
- boosting the Home Maintenance Improvement Program (HMIP) loan limit from \$167,874 to \$250,000.

Second, staff is also requesting authorization for the City Administrator to adjust program funding limits in the future, as in other HCD programs, to remain nimble and responsive to changing market conditions and program needs.

Third, staff recommends that the City Council adopt the proposed resolution authorizing the City Administrator to pilot the delivery of the single-family home rehabilitation programs with Habitat for Humanity East Bay/Silicon Valley, Inc. (Habitat EBSV), a not-for-profit residential lending and rehabilitation provider to capitalize on economies of scale and industry best practices.

Staff further requests a waiver of the Local/Small Local Business Enterprise (L/SLBE) requirements, as Habitat EBSV is currently not a L/SLBE and was the sole respondent to the City's Request for Proposals (RFP).

Lastly, staff seeks administrative authority to amend the professional services agreement with Habitat EBSV to increase the contract amount, contingent on the availability of additional CDBG funding. This is consistent with other HCD programs and will allow for flexibility in service delivery and CDBG expenditures, particularly in the face of rapidly rising construction costs.

Please note that this agenda report discusses the existing RLS Lead Safe and Healthy Homes Program, which provides grants to seniors, persons with disabilities, families with children under 6 years old and expectant mothers. The programs and recommendations discussed in this report do not involve or include Lead Paint Settlement Funds and/or the Equitable Lead Hazard Abatement Program (ELHAP).

BACKGROUND / LEGISLATIVE HISTORY

Established by **Ordinance No. 9479 C.M.S.** on June 7, 1977, RLS provides low-interest rehabilitation loans and grants to homeowners, addressing critical home repair needs within these communities. RLS home rehabilitation programs are a vital resource for Oakland's most vulnerable homeowners, including low-income, seniors, disabled individuals, people of color, expectant mothers, and families with young children under six years old exposed to lead-based paint hazards.

All four programs within RLS' suite of activities are restricted to low-income households under 80% of the Area Median Income. Over 80% of clients served by these programs have extremely low-incomes or very low-income (0-30% or 31%-50% of Area Median Income). This is due, in part, to the high proportion of program participants who are seniors on a limited income.

These programs help mitigate health and safety risks, prevent displacement, and protect generational wealth-building opportunities for lower-income residents. HCD's Housing Preservation Services (HPS) Unit funds the RLS programs with two different sources of Community Development Block Grant (CDBG) funding: entitlement grant funds and revolving loan program income (RLPI), which are previous RLS project loan repayments.

The goals of the RLS programs are to:

- Provide financial and technical assistance to low-income homeowners who do not qualify for traditional financing to maintain and/or improve their properties.
- Ensure safe housing for residents at risk of living in unsafe or dilapidated conditions, including lead paint exposure, that can negatively impact their health and well-being.
- Enable elderly and disabled Oakland homeowners to "age in place" through accessibility retrofits and essential/critical repairs that safeguard their health and safety.
- Reduce of neighborhood blight and preventing the loss of housing stock to disrepair.
- Support local contractors, many of whom are small Black-owned contractors who carry out the repairs.

A summary of each home rehabilitation program covered by the proposed loan/grant limit change is listed below in **Table 1**:

Table 1: Residential Lending Services Programs

Program	Loan or Grant	Purpose	Current per project limit	New per project limit
Access Improvement Program (AIP)	Grant	Accessibility modifications to both disabled owner-occupied and tenant properties.	\$33,575/project (\$52,512 with a wheelchair lift)	\$40,000/project (\$60,000 with a wheelchair lift)
Lead Safe Homes Program (LSHP)	Grant	Grant must be used for house painting and other related lead-based paint hazards reduction services. Grants are available to seniors, persons with disabilities, families with children under age 6 and expectant mothers.	\$33,575/project	\$40,000/project
Emergency Home Repair Program (EHRP)	Loan	Home repairs that require immediate attention, such as emergency violations issued by a Fire Marshall, Health Officer or Code Enforcement Officer, leaking roof or sewer break.	\$33,575/project	\$40,000/project
Home Maintenance and Improvement Program (HMIP)	Loan	Help homeowners to correct health and safety related repairs and building code deficiencies including electrical, plumbing and seismic repairs.	\$167,874/project	\$250,000/project

Between 2017 and 2023, RLS completed rehabilitation projects for 42 households, which is an average of 18 households per year. Approximately 82% of participants in RLS programs identify as Black households, 83% of households are female heads of households, 85% of households have a disability, and about 60% of the homes served are located in East Oakland. The data above demonstrates that the program is effective and impactful in meeting HCD racial equity goals. The total annual Loan and Grant budget for the RLS programs in FY 24-25 is approximately \$1,830,000. Funding in the amount of \$1,300,000 for the two RLS loan programs, HMIP and EHRP, are allocated annually from CDBG Revolving Loan Program Income (RLPI), which are repayments by borrowers from prior loans. RLPI funds carry the same restrictions on eligible uses of funds and eligible expenses as the program of origin, in this case, CDBG. Funds for the two grant programs, AIP and LSHP, are typically allocated approximately \$370,000 from the annual CDBG entitlement grant. Besides the loan and grant programs discussed in this report, RLS subcontracts approximately \$150,000 annually to Alameda County to administer the Minor Home Repair Program, which provides a small amount of funds for emergency repairs for homes located within Oakland.

Due to staffing shortages and pandemic-related disruptions, RLS programs have struggled to meet their annual CDBG expenditure goals in recent years and currently has a backlog of applications that are approved but cannot be served. For FY24-25 the projected program expenditures through June 30, 2025 are \$1,027,000, or 56% of the budgeted amount. This

lagging implementation is being partially addressed through internal process improvements, including migrating from paper files to digital loan processing and decreasing application processing times. These internal process improvements, while important, are not able to completely remedy the current backlog nor substantially increase the project completion count under the current structure.

Through interviews with several neighboring jurisdictions (Fremont, Contra Costa County, Alameda County, and Berkeley) conducted by HCD staff in February 2023, it was learned that with the economies of scale an outside administrator can achieve, more clients can be served under a contract model for service delivery than in-house delivery. Of the four jurisdictions interviewed, three (Fremont, Contra Costa County, and Alameda County) contract out their program administration. Fremont's program is very small and involves grants only. As such, the Fremont program is not comparable to the City of Oakland.

The fourth jurisdiction, Berkeley, administers its program both through contracts and in-house. At the time, Berkeley had three contracts for different home repair program components, with the senior/disabled rehabilitation loan program administered in-house. One FTE (comprised of two .5 FTEs) runs the in-house program. Berkeley's "hybrid" service delivery approach offers some potential comparisons, however, contracting with three different agencies is cumbersome, and not recommended for Oakland. Alameda County and Contra Costa County reflect the most comparable scenarios. In both cases, the programs had previously been administered in-house.

Based on these interviews and findings, in addition to the RLS process improvements that are underway, HCD staff issued an RFP to pilot a contract service delivery model to evaluate whether the model can be more effective at delivering more projects and serve more program participants, while also meeting the City's equity goals.

ANALYSIS AND POLICY ALTERNATIVES

RLS Program Limit Increases & Administrative Authority for Future Increases

Although CDBG funding for the City's RLS programs has remained relatively stable in recent years, construction costs have risen dramatically, according to the California Construction Cost Index, published by the State's Department of General Services. HCD staff working with homeowners and contractors to secure bids for RLS rehabilitation projects report consistent and substantial cost increases, and as a result, often cannot address the full extent of health and safety issues within the allowable project maximums. Rising costs threaten to exceed the current grant and loan limits. **Without adjustments to the per-project grant and loan limits, HCD will be unable to assist homeowners with larger properties or more extensive health and safety rehabilitation needs.**

Additionally, to ensure flexibility and responsiveness to evolving program needs, staff requests that the City Administrator be granted the authority to make future grant and loan limit adjustments as construction costs increase over time. Like with other HCD programs, this authority would allow HCD the ability to streamline process improvements in real time and adjust to changing market conditions, programmatic needs and to align with the budget and strategic plans. Per [Resolution 89739](#) C.M.S., dated May 16, 2023, the City Administrator currently has the authority to adjust program limits for RLS programs based on the California Construction Index.

Habitat for Humanity East Bay Silicon Valley, Inc. & S/LBE Waiver

To help meet the demand for services and meet CDBG expenditure timeliness deadlines, the City issued a Request for Proposals (RFP) for residential lending and rehabilitation services on February 14, 2025, with submissions due by March 14, 2025. **Habitat EBSV was the sole respondent to the RFP.** Habitat EBSV is a mission-driven nonprofit with over 35 years of experience creating and preserving affordable homeownership opportunities across Alameda, Contra Costa, and Santa Clara Counties. Their work focuses on serving low-income households, particularly, communities of color, seniors, and people with disabilities through affordable housing development, homebuyer support, and critical home repair services. Habitat has a deep footprint in Alameda County and is a trusted partner to multiple local jurisdictions. They have successfully delivered over 3,000 home repairs and supported more than 800 families in achieving homeownership, while administering public funds, including nearly \$15 million in CDBG funding across our region.

In order to increase the number of projects that can be completed and increase the number of clients served, **staff recommends awarding the contract to Habitat EBSV in an amount not to exceed \$1.5 million from July 1, 2025 through June 30, 2029** for lending and construction management services in support of the RLS programs. Habitat for Humanity East Bay/Silicon Valley East Bay/Silicon Valley, Inc. is not a certified Local/Small Local Business Enterprise (L/SLBE). **A waiver of the L/SLBE requirement is requested, as they were the sole respondent to the RFP.** Despite being the only applicant, their qualifications, experience, and alignment with City goals makes them a strong and strategic partner for this work.

The services sought by HCD, including rehabilitation lending, home repair, construction management, and program administration, are the core functions of Habitat EBSV's Home Preservation Team. Habitat will focus their contract activities on delivery of the HMIP and EHRP programs, with estimated delivery of one HMIP and six EHRP projects per year. This estimate is an increase of two project completions per year by Habitat EBSV over the current average delivery of the City RLS-staffed programs for the same dollar amount. City RLS staff will continue to deliver all four RLS programs during the first year of the pilot contract period using the remaining annual budget not allocated to the third-party contract.

Habitat EBSV has been underwriting and providing loans to low-income residents in Alameda County for over 25 years. Additionally, they have administered CDBG funds in both Alameda and Santa Clara Counties and have active or past partnerships with the cities of Fremont, Pleasanton, Walnut Creek, Concord, and Antioch. Within the last 10 years, Habitat EBSV has expended nearly \$15 million in CDBG funds through the successful completion of over 1,200 projects, which demonstrates strong financial stewardship, regulatory compliance, and program delivery. The program delivery cost (overhead) in Habitat EBSV's RFP response is \$170,000, or 34% of the total \$500,000 contract amount. The program delivery cost is made up of salaries (\$124,592) for 1.18 FTE, mileage (\$408), and general administrative cost (\$45,000). Program delivery costs for in-house RLS administered programs was 133% for FY 2023. This represents \$1,190,645 of administrative cost of 5 FTE over a total of \$894,000 of loans and grants funded that fiscal year. Efficient program delivery by Habitat EBSV will increase the loans and grants made to clients and reduce the funding spent on staffing costs.

Habitat EBSV's Home Preservation Team brings specialized experience managing federally funded home repair programs and supporting vulnerable homeowners to remain safely housed. Habitat EBSV will conduct assessments of each eligible property to identify rehabilitation needs and create a comprehensive rehabilitation project plan that meets the requirements of the selected program. Additionally, Habitat EBSV will assemble and coordinate bid packages, including proposals, architectural drawings, deficiency reports, and other technical documents. They will review and compare all bids and select construction contractors in accordance with all applicable City of Oakland procurement requirements. This partnership will allow HCD to expand service delivery and further its commitment to equitable investment in long-term resident and neighborhood stability.

These changes will ensure the timely expenditure of CDBG funds, maintain compliance with HUD regulations, and broaden the scope of services available to homeowners. Ultimately, this authority will enable the City's home rehabilitation programs to adapt quickly to rising material and labor costs, providing low-income Oakland homeowners with improved opportunities to maintain safe and healthy homes, thereby advancing the City's goals in housing and economic development. Habitat's experience administering programs with CDBG funds, proven success in housing rehabilitation and preservation, and commitment to serving low-income and historically underserved residents make them a strong, mission-aligned partner to advance our housing equity goals.

Piloting and Evaluation

Upon the first year of contract completion by Habitat EBSV, HCD will undertake an evaluation of the service delivery to evaluate performance against set metrics to determine the efficacy of the contract and this delivery model. These metrics include project completion rates, funds spent, compliance with building codes, and HUD/CDBG requirements. Additionally, Habitat EBSV will provide quarterly progress reports tracking these outcomes. Final project closeout packages will include all required documentation to confirm that projects were completed on time, within budget, and to standard. The evaluation will provide valuable data on the number of projects completed, timeliness of delivery, marketing and outreach to underserved populations, client demographics, and geographic areas served. This will allow HCD staff to make changes to the implementation of the contract based on data, or to discontinue this delivery approach if expectations are not being met by Habitat EBSV.

FISCAL IMPACT

The increase to the RLS program limits will not have a fiscal impact as the overall program budget is not being increased. The program limit increase will enable critical health and safety repairs to be made through the program while responding to market conditions.

Staff requests authority to award up to \$1.5 million of CDBG funds over a period of four years to Habitat EBSV to support low-income homeowner rehabilitation activities under the RFP. Funds in the amount of \$500,000 are currently available in Community Development Block Grant Fund (Fund 2108), Municipal Lending Organization (89939), Habitat for Humanity – CDBG Project (1004145). Funding for the remaining amount of the professional services agreement is contingent on funding availability and future HUD CDBG grant awards for the City's Revolving

Loan Program Income. The funds have been approved in the 2024-25 Annual Action Plan and Consolidated Report. Said funds are subject to City of Oakland regulations, CDBG Eligibility Requirements & Regulations, National Objectives, and other Crosscutting regulations, and CDBG Income Limits. By utilizing these funds within the required timelines, the City will remain in compliance with U.S. Department of Housing and Urban Development (HUD) regulations, mitigate the risk of fund reallocation, and continue to support vital programs that benefit low- and moderate-income homeowners.

PUBLIC OUTREACH / INTEREST

Staff released a Request for Proposals (RFP) on February 14, 2025, to solicit qualified organizations for the proposed project. HCD staff, in collaboration with the contract administration team, conducted voluntary pre-proposal meetings on February 28, 2025, providing an opportunity for potential respondents to seek clarification and gain a better understanding of the project scope. Habitat for Humanity East Bay/Silicon Valley, Inc. was the sole respondent to this RFP.

COORDINATION

This item was reviewed by the Budget Bureau and the Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: Right-sizing loan and grant limits for HCD's home rehabilitation programs will help homeowners stay in their homes and provide work opportunities for local contractors. These programs help homeowners avoid reverse mortgages and other high-cost financing options that could destroy the owner's home equity.

Environmental: HCD's home rehabilitation programs protect homeowners from lead paint hazards, substandard building conditions, and often improve the energy efficiency of homes. By increasing the feasibility of these home rehabilitation programs, right-sizing loan and grant limits will create healthier living conditions for Oakland residents.

Race and Equity: RLS programs have made significant progress in tackling racial disparities and inequities in homeownership and access to housing financing. RLS has worked to dismantle these obstacles by prioritizing financial support and opportunities for underserved homeowners to repair and preserve their homes. The overwhelming majority of clients currently served by HCD's home rehabilitation programs are Black residents. HCD's home rehabilitation programs enable Oakland residents to stay in their homes even when the racial wealth gap and racist disparities in home appraisals can limit access to traditional home renovation financing. This reduces residential displacement. Furthermore, by providing a low- or no-cost option to fix serious repair challenges, these programs enable homeowners to preserve their home equity and convert it into an intergenerational source of wealth building.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That City Council Adopt The Following Pieces of Legislation:

- 1) A Resolution To: (1) Increase The Grant Limit Of The Lead Safe And Healthy Homes Program From \$33,575 to \$40,000 Per Project; (2) Increase The Grant Limit Of The Access Improvement Program From \$33,575 To \$40,000 Per Project and From \$53,720 to \$60,000 Per Project If a Wheelchair Lift Is Required; (3) Increase The Loan Limit Of The Emergency Home Repair Program From \$33,575 to \$40,000 Per Project; (4) Increase The Loan Limit Of The Home Maintenance Improvement Program From \$167,874 To \$250,000 Per Project; (5) Modify The City's Residential Lending Home Rehabilitation Program Guidelines To Allow For Annual Increases To Grant And Loan Per Project Limits Of Home Rehabilitation Programs In The City Administrator's Discretion, Without Returning To Council;
- 2) A Resolution To: (1) Authorize The City Administrator To Enter Into A Professional Services Agreement With Habitat For Humanity East Bay/Silicon Valley, Inc. To Provide Lending And Construction Services In Support Of The Residential Lending And Home Rehabilitation Program In An Amount Not To Exceed \$1,500,000 From July 1, 2025 Through June 30, 2029; (2) Waive The Local And Small Local Business Enterprise (L/SLBE) Requirements For The Proposed Agreement; And (3) Authorize The City Administrator to Increase the Not to Exceed Amount Using Any Community Development Block Grant (CDBG) Funding From The U.S. Department of Housing and Urban Development (HUD) That Becomes Available For The Agreement Of The Term, Including Any Extension, And To Extend The Term Of The Agreement For Up To Four Additional Years Subject To Funding Availability, Without Returning to Council.

For questions regarding this report, please contact Meghan Horl, Housing Preservation Services Manager, at mhorl@oaklandca.gov.

Respectfully submitted,



Emily Weinstein (May 1, 2025 10:39 PDT)

Emily Weinstein
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Community & Economic Development Committee
May 13, 2025

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