

CITY OF OAKLAND

AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Emily Weinstein
Housing and Community
Development Director

SUBJECT: Prohousing Incentive Pilot Program
Grant Application

DATE: November 18, 2024

City Administrator Approval


Jestin Johnson (Nov 20, 2024 13:32 PST)

Date:

Nov 20, 2024

RECOMMENDATION

Staff Recommends That City Council Adopt A Resolution Authorizing The City Administrator To (1) Apply For, Accept, And Appropriate \$1,390,000 In Funds From The State of California Department Of Housing And Community Development’s Prohousing Incentive Pilot Program For Capitalized Service Reserves for Affordable Housing And (2) Make Grants Or Development Loans Under The New Construction Of Multifamily Rental Affordable Housing Program Or The Rapid Response Homeless Housing Program Without Returning To Council, Contingent On Funding Availability

EXECUTIVE SUMMARY

In December 2022, the City of Oakland (City) became the first community in the San Francisco Bay Area to receive the State of California’s (State) “Prohousing” designation. The Prohousing designation recognizes communities that have gone above and beyond the requirements of state law to produce more housing and especially more affordable housing. The State simultaneously launched a companion grant program available for communities that have received this Prohousing designation. After responding to the initial Notice of Funding Availability for this program, the City was awarded \$2.39 million on May 9, 2023. With the launch of the third Notice of Funding Availability for the Prohousing Incentive Pilot Program on August 15, 2024, staff seeks authorization to apply for \$1.39 million from this program. Under the proposed resolution, the City Administrator would also have authorization to accept and appropriate the funding if it is awarded. Staff propose the potential funding be dedicated to capitalized service reserves for permanent supportive housing units identified through the City’s Rapid Response Homeless Housing (R2H2) program and/or New Construction Notice of Funding Availability (NOFA). Service funding is an essential component of successful permanent supportive housing, and this grant represents a rare opportunity to seek State support for this need. This resolution would also authorize the City Administrator to distribute the funds for the intended purpose if the State issues the City an award.

City Council
December 17, 2024

BACKGROUND / LEGISLATIVE HISTORY

On May 17, 2022, the City Council approved [89197 C.M.S.](#) to authorize an application to the State of California's Prohousing designation program. On December 20, 2022, the State Department of Housing and Community Development (State HCD) announced that the City would receive its "Prohousing" designation in recognition of the City's voluntary efforts to promote housing production and especially affordable housing production. The City's Prohousing application cited a wide range of Oakland's policies, practices, and programs, including the use of specific plans to streamline environmental reviews, several funding programs for affordable housing, and zoning changes. The City was the first jurisdiction in the San Francisco Bay Area to receive the Prohousing designation.

The Prohousing Incentive Pilot Program is a State HCD funding program that was created specifically for communities that received the Prohousing designation. The funding can be used for any housing and community development purpose allowed under State law and is therefore an unusually flexible funding source. During the first round of funding for this grant program in 2023, the City applied for and received \$2.39 million. The City applied for but did not receive \$1.39 million in the Round Two Notice of Funding Availability in early 2024. The reason the City's application was not funded is that the program prioritized funding new Prohousing jurisdictions that had not previously received funds. This policy exhausted funding before the program had the opportunity to provide additional funds to Oakland.

The City is eligible to apply for \$1.39 million in the Round Three Notice of Funding Availability. This number is based on a combination of the City's population and the score of the original Prohousing designation application. The reduction from \$2.39 million to \$1.39 million of potential funding eligibility appears to be part of broader shift by the State to provide a larger number of communities with a smaller amount of funds via this grant program.

ANALYSIS AND POLICY ALTERNATIVES

The proposed resolution would authorize the City Administrator to apply to the Prohousing Incentive Pilot Program to advance the City's objectives of housing, economic, and cultural security by supporting the construction of affordable housing. The funding in this grant could be applied towards a wide variety of housing and community development purposes, including but not limited to first-time homebuyer assistance, home rehabilitation, rental assistance, operating subsidy, or direct capital costs for interim or permanent affordable housing. However, staff recommends using this grant as capitalized service reserves for permanent supportive housing. A capitalized service reserve is a lump sum awarded to a project that can be drawn on over an extended period of time to pay for service-related costs. A shortage of service and operating funding is one of the greatest barriers to the production of housing for unhoused Oaklanders, and the Prohousing Incentive Pilot Program is a rare opportunity to secure State funding for capitalized service reserves. Staff anticipate being able to put this additional service subsidy to immediate use in the City's Rapid Response Homeless Housing (R2H2) program. If there is any service subsidy available after the R2H2 projects are funded, the capitalized service reserves could be used for homeless units under the City's 2024 New Construction Notice of Funding Availability.

In the Round 3 NOFA for the Prohousing Incentive Pilot Program, the State has announced their intention to prioritize funding for jurisdictions that have not yet received funds via this grant program. As of August 1, 2024, 50 jurisdictions had been awarded the Prohousing designation, of which 33 previously received funding via the Round 1 and Round 2 funding availability. With only \$8 million available statewide for the Round 3 NOFA, it is quite likely the funds in this NOFA will be exhausted before Oakland is able to receive any. However, State funding opportunities can be unpredictable at times, and staff recommend the City still seeks these funds.

FISCAL IMPACT

If awarded, this grant would provide \$1.39 million to the City for use as capitalized service reserves. The funding would be accepted and appropriated to the City's Housing & Community Development Department, Grant Fund(s) to be determined and Project Code(s) to be determined.

PUBLIC OUTREACH / INTEREST

No public outreach was conducted beyond the normal Council noticing procedures as previous stakeholder engagement has identified service funding as a key bottleneck in producing Permanent Supportive Housing.

COORDINATION

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

SUSTAINABLE OPPORTUNITIES

Economic: If awarded, the grant would support the operation of permanent supportive housing units. These permanent supportive housing units would help Oakland residents exist homelessness and remain in the community.

Environmental: This item has no significant environmental impacts.

Race and Equity: According to the racial equity analysis of homelessness conducted by Oakland's Department of Race and Equity¹, African American Oaklanders experience disproportionate rates of homelessness compared to their percentage of the general population. By providing more permanent supportive housing placements, this grant will help reduce the number of unhoused Oakland residents. This will consequentially reduce the impact of this racial disparity.

¹ <https://everyonehome.org/wp-content/uploads/2021/02/2021-Centering-Racial-Equity-in-Homeless-System-Design-Full-Report-FINAL.pdf>

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That City Council Adopt A Resolution Authorizing The City Administrator To (1) Apply For, Accept, And Appropriate \$1,390,000 In Funds From The State of California Department Of Housing And Community Development's Prohousing Incentive Pilot Program For Capitalized Service Reserves for Affordable Housing And (2) Make Grants Or Development Loans Under The New Construction Of Multifamily Rental Affordable Housing Program Or The Rapid Response Homeless Housing Program Without Returning To Council, Contingent On Funding Availability

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

Respectfully submitted,

Emily Weinstein

Emily Weinstein (Nov 19, 2024 13:40 PST)

Emily Weinstein, Housing and Community
Development Director

Prepared by:
Caleb Smith, Program Analyst III, Housing and
Community Development