



CITY OF OAKLAND

AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Christopher Norman
Acting Director, Housing
and Community
Development Department

SUBJECT: State of California Local Housing
Trust Fund Grant Program

DATE: July 24, 2024

City Administrator Approval Elizabeth Lake

Elizabeth Lake (Jul 25, 2024 09:35 PDT)

Date: Jul 25, 2024

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or Their Designee Or Successor To Apply For, Accept And Appropriate Up To \$5 Million In Funds From The California Department of Housing and Community Development Under The Local Housing Trust Fund Program For Affordable Housing Production Programs

EXECUTIVE SUMMARY

The State of California Department of Housing and Community Development (State HCD) Local Housing Trust Fund (LHTF) Program released a Notice of Funding Availability (NOFA) in July 2024 to which the Oakland Housing and Community Development Department (Oakland HCD) seeks to apply. The LHTF Program was created pursuant to California Proposition 1 of 2018, and its principal goal is the expansion of funding for housing through increasing the capacity of existing local housing trust funds. The City of Oakland is eligible for LHTF Program funding as it established a local housing trust fund, the Affordable Housing Trust Fund, in 2002 pursuant to Section 15.62 O.M.C. Adoption of the proposed resolution will allow the City Administrator to apply for, accept, and appropriate up to \$5 million in funds from State HCD's LHTF program.

Should LHTF funds be awarded to the City of Oakland (City), they must be matched dollar-for-dollar by existing City affordable housing funds and used to fund predevelopment, acquisition, construction or rehabilitation costs of affordable housing in Oakland. The City's affordable housing resources are consistently oversubscribed, so leveraging the City's Affordable Housing Trust Fund dollars with State funds will allow the Department to move pipeline projects forward to construction more effectively.

City Council
July 30, 2024

BACKGROUND / LEGISLATIVE HISTORY

As with the rest of the region, the City's limited housing stock, coupled with the influx of higher income residents, has caused the price of housing to skyrocket, adversely impacting low-income residents. As of 2016, 48 percent of Oakland renters are rent burdened—meaning that more than 30 percent of their household income is spent on rent.¹ Oakland's homeless population has increased by nine percent in the past two years, jumping from 5,055 in 2022 to 5,490 in 2024.² As Oakland's overall population has continued to grow, the City's African American population has steadily decreased from 140,139 in 2000 to approximately 100,026 in 2020.³ ⁴ These trends underscore the importance of exploring opportunities to generate more housing stock for a range of incomes, particularly units that are affordable to residents with the lowest incomes and the least housing options.

On July 9, 2024, State HCD issued a NOFA for the LHTF Grant Program. This Program is funded by Proposition 1, the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1), as described in Health and Safety Code Section 50842.2 et seq. Approved by voters in 2018, Proposition 1 authorized \$4 billion in state funding for housing programs, including \$300 million for the LHTF Program.

The 2024 NOFA includes authorizing \$53 million in funding for the LHTF Program to provide matching grants to local housing trust funds established by entities, including cities. The purpose of the LHTF Program is to provide one-time grant funding to regions and jurisdictions making loans to sponsoring entities that develop, own, lend, or invest in affordable housing and create pilot programs to demonstrate innovative, cost-saving approaches to creating or preserving affordable housing.

LHTF grant applications are due to State HCD on September 17, 2024 at 4pm, with awards scheduled to be announced in December 2024.

ANALYSIS AND POLICY ALTERNATIVES

A critical barrier to the production of more affordable housing is the immense gap between the total need, especially for the City's lowest-income residents earning at or below 30 percent of area median income (AMI), and the available funding.

¹ <https://data.oaklandnet.com/Equity-Indicators/Rent-Burden/fsve-tisg>, data sourced from American Community Survey Public Use Microdata Series, 2018.

² EveryOne Home, Alameda County Point-in-Time Count Results Summary Jurisdiction Numbers. May 2024.

³ U.S. Census Bureau, Population Estimates, July 1, 2018 (V2018), P94-171 and

⁴ U.S. Census Bureau, Population Estimates, July 1, 2021 (V2021)

The LHTF Program provides matching grants to eligible applicants that have a local housing trust fund. In 2002, Oakland established the Affordable Housing Trust Fund (AHTF) pursuant to Section 15.62 O.M.C. The AHTF receives its funding from ongoing revenue streams including the Jobs Housing Impact Fee, the Affordable Housing Impact Fee, and “boomerang” funds. As part of the City’s efforts to secure any and all available funding sources to support the production of affordable housing units, the application and potential award of this competitive LHTF State grant would promote the City’s priority of Housing, Economic, and Cultural Security by supporting the production of new extremely low, very low, and low-income affordable housing units.

To apply for LHTF funds, the City must have matching funds on deposit, and said matching funds must be utilized on a dollar-for-dollar basis for the same eligible projects for which LHTF program funds are used. Oakland HCD plans to apply for the maximum application request of \$5 million, as the City has done successfully in the 2020, 2021 and 2022 LHTF Program rounds.

Oakland HCD seeks to use LHTF funds to support new construction of affordable housing to award through its NOFA process, and match these funds with AHTF available in the Fiscal Year (FY) 2024-2025 budget. Oakland HCD staff intend to issue the City’s own New Construction NOFA in September 2024, and LHTF funding can bolster overall available project funds.

Staff is still reviewing the State HCD LHTF Program NOFA, but key elements of the LHTF program requirements are:

- Funds must be used for construction and/or permanent loans
- At least 30 percent of the funds must be expended on assistance to extremely low-income households
- No more than 20 percent of program funds can be expended on moderate income households
- Eligible uses include rehabilitation of affordable rental housing, emergency shelters, permanent supportive housing, homeownership projects, and Accessory Dwelling Units.

Selection criteria advantage applications that have the deepest affordability targeting that include a pipeline of projects that are most ready to commence construction, and that increase the supply of lower income rental housing through new construction. The features that create a competitive application align well with the City’s most recently completed New Construction NOFA from the Spring of 2023, and the upcoming New Construction NOFA to be released in September 2024.

The 2023 New Construction NOFA featured several projects aiming to target residents with special needs (living with developmental disabilities, serious mental illness or substance abuse disorders), and those who are homeless (living in a place not meant for human habitation) or at risk of homelessness (having an income below 30% of the

median family income for the area). The New Construction NOFA has both facilitated projects to move forward into construction as well as established the City's pipeline of new affordable housing projects. The City's affordable housing resources are consistently oversubscribed and leveraging the City's AHTF dollars with State funds will allow the Department to move pipeline projects forward to construction.

The prior three successful LHTF awards were successful because the City tied the LHTF application to the New Construction NOFA with the appropriate evidence of availability of AHTF matching funds. City staff will pursue this approach again to prepare the most competitive application possible.

FISCAL IMPACT

Approval of the proposed resolution will authorize the application and acceptance, and allocation of any awarded LHTF Program funds in an amount of \$5 million. Funds will be deposited into Cal HCD (Fund 2144), Org. 89929, Project Code to be determined (dependent on a successful award), to allow for proper tracking and reporting of funds per guidance from the Budget Bureau. Program awardees are entered into a state Standard Agreement (Standard Agreement) for distribution of funds. The Standard Agreement process will specify, among other things, the amount of funds granted, timeline for expenditure of funds, and the approved use of funds. Expenditure report dates and other requirements will also be identified in the Standard Agreement.

For projects awarded LHTF funds, an equivalent amount of matching funds will be allocated on a dollar-for-dollar basis from the City of Oakland's AHTF Fund 1870, pursuant to the State's LHTF guidelines. To this end, \$5 million in funds from AHTF Fund 1870 from Affordable Housing Impact Fees and Jobs Housing Impact Fees that have been budgeted in the FY24-25 budget but not yet allocated to projects have been identified as the required AHTF match for the LHTF application.

PUBLIC OUTREACH / INTEREST

Oakland HCD has conducted extensive public outreach, including community outreach sessions in 2023 and 2024 regarding Measure U Bond spending prioritization, expenditure planning for the potential 2024 regional housing bond, and in development of its [2023-2027 Strategic Action Plan](#). These outreach efforts indicate that staff should pursue all potential avenues to secure additional funding for the production of low and extremely low income affordable housing. Additionally, Oakland HCD's New Construction NOFAs are consistently oversubscribed, leaving affordable housing projects unfunded, further underscoring the need to leverage local funding to increase funding for affordable housing when outside resources are available.

COORDINATION

This report has been reviewed by the Office of the City Attorney. Due to the expedited timing of the report, the Budget Bureau was not able to fully review, but has reviewed similar reports in the past.

SUSTAINABLE OPPORTUNITIES

If awarded, the LHTF funds will finance pipeline affordable housing projects that will address the following sustainability priorities as follows:

Economic: Projects financed by LHTF funds will generate construction, professional services, and ongoing property management jobs in Oakland. Providing families with affordable housing provides financial stability for extremely low, very low, and low-income households.

Environmental: By constructing more infill units, pipeline projects will reduce the pressure to build on suburban or rural land far from the public transit and proximity to jobs that Oakland offers. The developers encourage contractors to use sustainable building techniques, including energy- efficient design, use of recycled building materials, and water-conserving fixtures and landscaping.

Race & Equity: Affordable housing is a fundamental means of achieving greater social equity and addressing racial disparities. Projects financed by LHTF funds will provide long-term housing affordability for tenants, resulting in greater neighborhood stability. Developers with funded projects will be required to report on race and ethnicity data for tenants in order to ensure equity outcomes are met. The investment of LHTF and City funds into pipeline projects will produce quality affordable housing for extremely low, very low, and low-income residents.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or Their Designee Or Successor To Apply For, Accept And Appropriate Up To \$5 Million In Funds From The California Department of Housing and Community Development Under The Local Housing Trust Fund Program For Affordable Housing Production Programs

For questions regarding this report, please contact Christia Katz Mulvey, HCD Housing Development Services Manager, at 510-238-3623.

Respectfully submitted,



Chris Norman (Jul 24, 2024 19:33 PDT)

CHRISTOPHER NORMAN
Acting Director, Housing and Community
Development Department

Reviewed by:
Ali Gaylord, Deputy Director of Housing
Development, Housing and Community
Development Department

Prepared by:
Christia Katz Mulvey, Housing Development
Services Manager, Housing Development
Services, Housing and Community
Development Department