



CITY OF OAKLAND

# AGENDA REPORT

**TO:** G. Harold Duffey  
Interim City Administrator

**FROM:** Christina Mun  
Interim Director, Housing  
and Community  
Development

**SUBJECT:** Prohousing Incentive Pilot Program  
Grant Application

**DATE:** March 1, 2023

City Administrator Approval

Date:

Mar 1, 2023

## **RECOMMENDATION**

**Staff Recommends That City Council Adopt A Resolution Authorizing The City Administrator To Apply For, Accept, And Appropriate \$2,390,000 In Funds From The State of California Department Of Housing And Community Development's Prohousing Incentive Pilot Program For Capitalized Operating Subsidy for Affordable Housing.**

## **EXECUTIVE SUMMARY**

In December 2022, the City of Oakland became the first community in the San Francisco Bay Area, and one of only seven statewide, to receive the State of California's ("the 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 specifically for communities that have received this Prohousing designation. Staff therefore seek authorization to apply for \$2.39 million from this Prohousing Incentive Pilot Program. The funding would be dedicated to capitalized operating subsidy for permanent supportive housing units identified through the City's Homekey program and/or New Construction Notice of Funding Availability. This resolution also authorizes the City Administrator to distribute the funds for the intended purpose if the State issues the City of Oakland (City) an award.

## **BACKGROUND / LEGISLATIVE HISTORY**

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 like reduced parking minimums.

The Prohousing Incentive Pilot Program is a new 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. The City is eligible to apply for a maximum of \$2.39 million due to a combination of the City's population and the score assigned to the City's original Prohousing designation application.

### **ANALYSIS AND POLICY ALTERNATIVES**

Applying for the Prohousing Incentive Pilot Program advances 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 recommend using this grant as capitalized operating subsidy for permanent supportive housing. A shortage of capitalized operating subsidy is one of the greatest barriers to the production of housing for the unhoused, and the Prohousing Incentive Pilot Program is a rare opportunity to secure State funding for capitalized operating subsidy. Staff anticipate being able to put this additional operating subsidy to immediate use in the City's Homekey Round 3 application process. If there is any operating subsidy available after the Homekey projects are funded, the operating subsidy could be used for homeless units under the City's 2023 New Construction Notice of Funding Availability.

### **FISCAL IMPACT**

If awarded, this grant would provide \$2.39 million to the City for use as capitalized operating subsidy. The funding would be accepted and appropriated to the Oakland Department of Housing & Community Development Department, Grant Fund(s) to be determined and Project Code(s) to be determined.

### **PUBLIC OUTREACH / INTEREST**

No outreach was conducted beyond normal Council noticing procedures as previous stakeholder engagement has identified capitalized operating subsidy as a key bottleneck in producing permanent supportive housing.

### **COORDINATION**

This item 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 Equity<sup>1</sup>, 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.

### **ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Apply For, Accept, And Appropriate \$2,390,000 In Funds From The State of California Department Of Housing And Community Development's Prohousing Incentive Pilot Program For Capitalized Operating Subsidy For Affordable Housing.

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

Respectfully submitted,



---

Christina Mun, Interim Director of Housing and  
Community Development

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

---

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