



AGENDA REPORT

TO: Steven Falk
Interim City Administrator

FROM: Emily Weinstein
Interim Director, Housing
and Community
Development

SUBJECT: Home Rehabilitation Program Limit
Increase

DATE: April 26, 2023

City Administrator Approval

Date: Apr 27, 2023

RECOMMENDATION

Staff Recommends That City Council Adopt A Resolution:

- 1) **Authorizing the City Administrator to Modify the Lead Safe and Healthy Homes Program Guidelines to Increase the Grant Limit From \$15,000 To \$30,000 Per Project;**
- 2) **Authorizing the City Administrator to Modify the Access Improvement Program Guidelines to Increase the Grant Limit From \$15,000 To \$30,000 Per Project and From \$24,000 To \$48,000 If A Wheelchair Lift Is Required;**
- 3) **Authorizing the City Administrator to Modify the Emergency Home Repair Program Guidelines to Increase the Loan Limit From \$15,000 To \$30,000 Per Project; and**
- 4) **Authorizing The City Administrator to Modify the City's Residential Lending Home Rehabilitation Programs Guidelines to Allow for an Annual Adjustment to Home Rehabilitation Programs to Increase Grant And Loan Limits Based On The California Construction Index.**

EXECUTIVE SUMMARY

Staff is seeking authority to increase the Access Improvement Program (AIP) and Lead-Safe Paint Program (LSHP) grant limits from \$15,000 to \$30,000 (or up to \$48,000 for AIP with a wheelchair lift) and the Emergency Home Repair Program loan limit from \$15,000 to \$30,000, to accommodate the long interval since those programs' limits were last increased by the City.

The proposed changes are necessary because the current limits are no longer adequate to accommodate the increase in Bay Area construction costs by 25% within the past five years, a result of inflation, supply and demand and labor costs. The Home Rehabilitation programs are a critical resource and support for Oakland's vulnerable population of homeowners and tenants

experiencing health and safety risk, displacement or homelessness including low-income, seniors, disabled persons, people of color, expectant mothers and families with children under the age of 6 years old exposed to lead-based paint hazards.

Staff also recommends the City Council to adopt the proposed resolution to authorize the City Administrator to modify the City of Oakland's (City) Home Rehabilitation program guidelines to increase funding limits and allow for, but not require, an annual adjustment in future years to Home Rehabilitation programs based on the California Construction Index¹ to adapt to the changing market conditions.

BACKGROUND / LEGISLATIVE HISTORY

The Housing and Community Development Department (DHCD) currently administers four 1-4 unit, home rehabilitation programs primarily funded by the United States Department of Housing and Community Development, Community Development Block Grant (CDBG). On November 11, 1975, the Oakland City Council passed Ordinance No. 9233 C.M.S adopting the City's first Home Maintenance and Improvement Program and subsequent Emergency Home Repair loan program, Accessibility Improvement and Lead-Safe Homes Paint program grants to preserve the City's existing housing stock, eliminate neighborhood blight and provide a funding source for disadvantage communities. Particularly, low-income homeowners experiencing varying health and safety risks due to deferred maintenance or unforeseen emergencies but are unable to access traditional financing due to eligibility constraints or other factors.

Cumulatively, the total amount of CDBG funds budgeted for the DHCD's home rehabilitation programs totaled \$2,300,000 including administration cost in Fiscal Year (FY) 2022-23. Staff project that 20-30 projects will be completed during that interval. DHCD's home rehabilitation programs currently has approximately 80 clients in the pipeline. The City's ability to serve these clients is primarily constrained by the number of staff working on home rehabilitation. The programs have an authorized staffing of three Rehabilitation Advisors, two Mortgage Advisors, one Administrative Assistant, one Administrative Analyst, and one Program Manager. In all four programs, staff from the Residential Lending Division of DHCD play an active role in coordinating the project. After a homeowner is approved for a loan or grant by a Mortgage Advisor, an assigned Rehabilitation Advisor will help scope the project, coordinate competitive bidding with contractors, and monitor construction to ensure the contractor delivers on the project.

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

¹ <https://www.dgs.ca.gov/RES/Real-Estate/Real-Estate-Services-Division-Resources-List-Folder/DGS-California-Construction-Cost-Index-CCCI>. The California Construction Cost Index is updated monthly.

Table 1:

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.	\$15,000/project (\$24,000 with a wheelchair lift)	\$30,000/project (\$48,000 with a wheelchair lift)
Lead Safe Homes Program (LSHP)	Grant	Grant must be used for exterior house painting and other related lead-based paint hazards reduction services. Grants are available to families with children under age 6 and expectant mothers.	\$15,000/project	\$30,000/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.	\$15,000/project	\$30,000/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.	\$150,000/project	\$150,000/project (potentially \$170,150/project if inflation adjustment option is exercised)

All four programs are restricted to low-income households (under 80% of Area Median Income). However, roughly 90% of clients in these programs are extremely- or very low income (0-30% or 30-50% Area Median Income). This is likely due in part to the 80-90% of program participants who are seniors. Historically, roughly 70% of program participants are African American.

The EHRP and HMIP programs function as deferred repayment, low or no interest loans depending on client income. The loans are typically repaid once the homeowner sells their house or when the house is inherited by the homeowner's heirs. This makes it possible for these loans to serve households with little or no disposable income that cannot make a conventional monthly payment and would usually struggle to qualify for conventional home loans to cover the cost of repairs.

In all four programs, staff from the Residential Lending Division of DHCD play a very active and direct role in coordinating the project. After a homeowner is approved for a loan or grant by a

Mortgage Advisor, an assigned Rehabilitation Advisor will help scope the project, coordinate competitive bidding with a list of approved contractors, and monitor construction to ensure the contractor delivers on the project. Staff are also available to help settle disputes between the homeowner and the contractor, and in instances where a homeowner is referred from a code enforcement case, staff will help to ensure the rehabilitation work fully resolves the code enforcement case. This high level of customer service protects vulnerable residents from excessive costs, incomplete work, and miscommunications. Contractors are typically identified via a competitive bidding process coordinated by City staff, though final selection is made by the homeowner. Invitations to these bid walks are made to local contractors on a qualified list of interested contractors. Additional contractors are added to this list on a rolling basis and any contractors interested in being added to this list should contact Residential Lending program staff for more information.

Besides the loan and grant programs covered by this item, the Residential Lending subcontracts \$159,200 annually to Alameda County for a Minor Home Repair Program. Residential Lending also administers an Accessory Dwelling Unit Loan Program funded by a CalHome state grant and, when federal funding is available, operates the Safer Housing for Oakland Program to provide seismic retrofits for multifamily housing.

ANALYSIS AND POLICY ALTERNATIVES

While the total amount of funding available through CDBG for the City's home rehabilitation programs has not substantially increased over the past several years, the cost of construction has risen substantially. According to the California Construction Cost Index published by the State of California's Department of General Services², the cost of construction has increased by over 25% in the past 5 years. In the past year alone, the cost of construction has risen by 13.4%, outpacing inflation for the economy as a whole³. Rehabilitation Advisors assigned to help homeowners source bids for their projects have reported rising bids for all Residential Lending Programs. For the Access Improvement Program and the Lead Safe Homes Program, these rising bids now threaten to exceed the maximum allowable amount per grant. Unless the per grant limit is increased, the City may be unable to serve homeowners in larger homes or with more complex home rehabilitation challenges.

This resolution would also give staff the option of making future inflation adjustments in program limits without returning to Council. Such authority would enable the City's home rehabilitation programs to nimbly respond to rapid changes in material and labor costs. By enabling low-income Oakland homeowners stay in safe and healthy homes, this program advances the City's goals of housing, economic, and cultural security.

FISCAL IMPACT

² <https://www.dgs.ca.gov/RES/Resourses/Page-Content/Real-Estate-Services-Division-Resources-List-Folder/DGS-California-Construction-Cost-Index-CCCI>

³ The whole economy inflation rate was 7.1% from November 2021 to November 2022, per the Bureau of Labor Statistics: <https://www.bls.gov/cpi/>.

No fiscal impact is expected; however, the proposed change would result in a smaller number of projects at a larger per project financial amount.

PUBLIC OUTREACH / INTEREST

No public outreach was conducted beyond the normal Council noticing procedures as it is purely technical in nature. Staff have incorporated direct feedback from residents and contractors based on actual program experience to inform the need for this item.

COORDINATION

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

SUSTAINABLE OPPORTUNITIES

Economic: Right-sizing loan and grant limits for DHCD'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: DHCD'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: The overwhelming majority of clients currently served by DHCD's home rehabilitation programs are African-American. DHCD'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 A Resolution:

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For questions regarding this report, please contact Marchelle Huggins, Acting Program Manager, at (510) 238-2015.

Respectfully submitted,


Emily Weinstein (Apr 27, 2023 17:17 PDT)

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