CITY OF OAKLAND

AGENDA REPORT

TO:	Elizabeth Lake Interim City Administrator	**FROM:**	Emily Weinstein Director, Housing & Community Development
SUBJECT:	Affordable Housing Trust Fund Ordinance Update	**DATE:**	September 29, 2026

City Administrator Approval Elizabeth Lake (Sep 30, 2026 12:47:30 PDT) Date: Sep 30, 2026

RECOMMENDATION

Staff Recommends That The City Council Adopt An Ordinance Amending Chapter 15.62 Of The Oakland Municipal Code To Allow Affordable Housing Trust Funds From Funds Distributed To The City Under Redevelopment Dissolution Laws To Be Used For Operating And Rental Subsidies For Housing Serving People Experiencing Homelessness And Households With Extremely Low Incomes, And Removing The 2027 Sunset Date On Using Such Funds For Anti-Displacement And Homelessness Prevention Services

EXECUTIVE SUMMARY

Following the dissolution of redevelopment agencies, the City Council of the City of Oakland (City) dedicated a portion of former redevelopment tax funds to affordable housing. At present, these former redevelopment funds can be used for capital costs associated with the construction, rehabilitation, and preservation of affordable housing. Former redevelopment funds can also be used- until June 30, 2027- for homelessness prevention and related anti-displacement uses.

This proposed ordinance will add flexibility to the rules governing the Affordable Housing Trust Fund (AHTF) to better support the City's affordable housing development and anti-displacement initiatives. Specifically, this ordinance will 1) allow former redevelopment funds to be used as capitalized operating subsidy for affordable housing, and 2) repeal a sunset clause in the existing ordinance to enable former redevelopment funds to be used for homelessness prevention and other anti-displacement uses after June 30, 2027. **This ordinance does not grant any contracting authority or appropriate any funds**- any such authorization would require additional City Council action. This proposed action does not affect the impact fees collected for affordable housing- it exclusively changes the eligible use of former redevelopment funds.

The availability of capitalized operating subsidy- funds set aside to subsidize the ongoing operation of deeply affordable housing- is one of the key constraints on affordable housing development in Oakland. Measure U bond funding and most state/federal funding sources have

their eligible use restricted exclusively to capital funding. As the City's capital investment framework for affordable housing is heavily focused on expanding the supply of deeply affordable housing, including homeless exits, staff are constantly seeking additional operating sources to support the creation and preservation of these units. If the City can use former redevelopment funds on capitalized operating subsidy for affordable housing projects, staff anticipate this will significantly improve the competitiveness of these projects for state affordable housing funding. Homelessness prevention and anti-displacement supports are likewise severely underinvested in on the state and federal level. Maintaining the option to use former redevelopment funds to fit these funding needs will help the City realize the objectives of the Housing and Community Development (HCD) Anti-Displacement Strategic Action Plan.

BACKGROUND / LEGISLATIVE HISTORY

The Affordable Housing Trust Fund

The City Council originally established the AHTF when it adopted Ordinance No. 12442 C.M.S. on July 30, 2002. The AHTF was originally established to receive payments from the Jobs/Housing Impact Fee.

Prior to its dissolution on February 1, 2012, the Oakland Redevelopment Agency took a leading role in financing the construction of affordable housing. Through the use of tax increment financing, this agency had access to an ongoing and flexible stream of funding that supported dozens of affordable housing projects.

On October 1, 2013, the City Council adopted Ordinance No. 13193 C.M.S., which set aside 25% of former redevelopment funds for ongoing affordable housing investments via the AHTF. When redevelopment agencies were abolished, the property tax increment previously used by the redevelopment agency was first used to pay down remaining obligations of the agency. Any additional property tax increment remaining after such obligations was made available to the redevelopment agency successor (the City). As such, these former redevelopment funds are a relatively stable, recurring revenue source for affordable housing investment. AHTF funds from development impact fees (the Affordable Housing Impact Fee and the Jobs/Housing Impact Fee) and former redevelopment funds are separately accounted for within the AHTF to avoid comingling those sources.

On June 27, 2017, the City Council adopted Ordinance No. 13446 C.M.S., which authorized former redevelopment funds from the AHTF to be used for homelessness prevention and other anti-displacement investments. These new eligible uses included emergency rental assistance, eviction defense legal aid, and housing counseling. This change included a 10-year sunset clause, which is currently set to expire on June 30, 2027.

Oakland's Anti-Displacement Investments

The City currently funds homelessness prevention and legal aid to tenants by funding a consortium of Oakland nonprofits to provide these services. In FY 2025-26, these services were budgeted at $3,628,268.96. This included $834,268.96 in Community Development Block Grant funding and $2,794,000 in former redevelopment funds.

In Fiscal Year 25-26, 1,288 Oaklanders were served by the City's contracted homelessness prevention, eviction prevention, and fair housing providers. A 2023 independent evaluation of Oakland's homelessness prevention program by Stanford University and University of Pennsylvania researchers found that 85% of clients served by the homelessness prevention program thought they would have lost their housing absent the assistance they received via this program. By programmatic design, these clients are Oaklanders most at-risk of becoming unhoused.

Homelessness prevention is the first priority strategy in the City's Homelessness Strategic Action Plan and serves as a vital complement to the City's investments in homeless exits. Providing assistance to at-risk residents before they become homeless is more effective and more cost-efficient than seeking to rehouse those residents after they become homeless.

On March 17, 2026, the City Council accepted the HCD Anti-Displacement Strategic Action Plan. This plan identifies the top anti-displacement priorities as 1) homelessness prevention, 2a) tenant anti-displacement, and 2b) homeowner anti-displacement. This plan is guided by an equitable investment framework that focuses resources on the populations at greatest risk of homelessness and displacement. Key implementation priorities for the plan include homelessness prevention funding, legal services for at-risk tenants, and enforcement of Oakland's tenant protection ordinances. The Anti-Displacement Strategic Action Plan identified a $112 million funding need for homelessness prevention over the next 5 years.

ANALYSIS AND POLICY ALTERNATIVES

Current Uses of the Affordable Housing Trust Fund

At present, former redevelopment funds in the AHTF are primarily used to pay for homelessness prevention, legal aid/eviction prevention services, and to absorb staff costs associated with other HCD initiatives that cannot be covered by other funding sources. Impact fees, which are accounted for separately in the AHTF to avoid comingling with former redevelopment funds, are used for affordable housing capital costs.

The City currently uses former redevelopment funds as the primary public funding source for homelessness prevention and legal aid/eviction prevention services as these dollars are one of the only sources that can legally cover these uses. Other primary funding sources such as bonds, impact fees, and state grants (e.g. Measure U and the Local Housing Trust Fund, respectively) can only be used for capital costs. The one notable exception from this trend is the federal Community Development Block Grant (CDBG) program. While CDBG funds can be used for homelessness prevention, CDBG caps the percentage of grant funds a city can use on public services at 15% of the city's total annual CDBG allocation. The City currently prioritizes homelessness prevention for the limited dollars available under that 15% cap. While valuable, these existing funds remain inadequate to fully serve Oakland's need for anti-displacement programs.

HCD currently uses most former redevelopment funds in the AHTF to cover staff costs that are not recoverable by other funding sources. This is most notably the case for the City's CDBG funded programs. CDBG administrative costs are capped at 20% of the City's annual allocation,

but the City operates several programs (like the home repair program for low-income seniors) that require a high level of resident interaction and support. While Oakland has received 12 Homekey/+ awards, Homekey does not include an administrative portion for the administering city partner. Several other grant programs, such as the Local Housing Trust Fund, likewise requires significant staff time to administer that is not adequately recovered by limited admin caps. Without this foundational local funding to cover the cost of staff to apply for and implement these grants, HCD would have likely struggled to pursue over $150 million in recent state and federal resources the department won for affordable housing in Oakland.

Modernizing the Affordable Housing Trust Fund

This ordinance update will make two key changes to modernize the rules governing the use of former redevelopment funds in the AHTF. First, it will allow for former redevelopment funds to be used for homelessness prevention and anti-displacement programs after June 30, 2027. Second, it will allow for former redevelopment funds to be used for capitalized operating subsidy for deeply affordable housing.

As noted above, the City faces a serious shortfall in the availability of anti-displacement funding. While staff will continue to advocate for increased county, state and federal investment in this critical strategy, efforts will likely need to be funded though the local level for the foreseeable future. Removing the sunset date for the provision that allows former redevelopment funds to be used on homelessness prevention and anti-displacement uses will ensure the City Council preserves its flexibility to continue these investments. Any specific use of funds for these purposes would require further City Council action.

Capitalized operating subsidy is a form of pre-funded operating support for deeply affordable housing. These funds typically support Extremely Low-Income (ELI) units restricted at 30% of Area Median Income (AMI) or below. This funding use is especially common in projects that contain Permanent Supportive Housing (PSH) for the formerly homeless. Projects with such deeply affordable rents typically do not bring in enough rental income to cover the cost of operating expenses and services for residents. Capitalized operating subsidy covers this gap for multiple years. To ensure the success of homeless-serving projects, HCD and its partner agencies typically fund the capital costs and the capitalized operating subsidy costs of projects at the same time.

The availability of capitalized operating subsidy is the most serious obstacle in the City's ability to fund more homeless housing units. At present, the only reliable funding source the City can access to pay for capitalized operating subsidy is the City's annual allocation of funding from the Permanent Local Housing Allocation (PLHA). PLHA is a state-level, entitlement grant program that provides the City with $3-5 million annually. Aside from Homeless Housing, Assistance and Prevention (HHAP) funding, which is dedicated to other aspects of the City's homelessness response, PLHA is the only ongoing state or federal grant the City receives that allows for funds to be used for capitalized operating subsidy. For the first five-year cycle of the PLHA program, the City dedicated 100% of its PLHA funds to covering capitalized operating subsidy needs. However, these resources fall far short of the need for Oakland's pipeline affordable housing projects.

Although former redevelopment funds in the AHTF are fully committed to existing uses, allowing former redevelopment funds to be used for capitalized operating subsidy gives the City Council

more flexibility in making future budget decisions. If HCD underspends its projected staff costs due to vacancies, this item would enable those one-time savings to support capitalized operating subsidy needs for pipeline affordable housing projects. HCD may also be able to take former redevelopment funds committed to projects as capital sources, replace those with capital-exclusive sources like affordable housing impact fees, and then redeploy the freed up former redevelopment funds as an operating source. This kind of administrative funding flexibility can ultimately make Oakland projects more competitive for tens of millions in state affordable housing funding, as the state's new funding regulations favor projects with local operating subsidy commitments.

RELATED PLANNING EFFORTS

This agenda item will advance the HCD 2023-2027 Strategic Action Plan by expanding the future supply of capitalized operating subsidy for deeply affordable housing. This will in turn expand the number of homeless housing units the City can fund. Additionally, this item supports the City's Anti-Displacement Strategic Plan by ensuring the flexibility to continue existing homelessness prevention and anti-displacement investments. Lastly, the City's adopted Homelessness Strategic Action Plan names homelessness prevention as its first – and most cost effective – priority to address homelessness. As such, maintaining flexibility to invest in such interventions will help both the City and the County continue their recent progress in reducing homelessness.

FISCAL IMPACT

This item has no immediate fiscal impact, but it would increase the City Council's spending options in future budget cycles. This item would authorize the Council to use former redevelopment funds for homelessness prevention and anti-displacement investments beyond the current June 30, 2027 cutoff. This item would also authorize the Council to make future investments in capitalized operating subsidy with former redevelopment funds. This item would also allow staff greater administrative flexibility in the use of existing affordable housing funds between projects to create the most competitive funding mix for state funding.

PUBLIC OUTREACH / INTEREST

No outreach was deemed necessary for the proposed policy action beyond the standard City Council agenda noticing procedures because this modernization ordinance only increases the budgeting flexibility without committing the City Council to any specific funding uses.

COORDINATION

This report and legislation have been reviewed by the Office of the City Attorney and the Budget Bureau.

RACE AND EQUITY

As described in the HCD 2023-2027 Strategic Action Plan, the Anti-Displacement Strategic Plan, and the City's Homelessness Strategic Action Plan, and the associated Racial Equity Impact Analyses, Black Oaklanders are disproportionately likely to experience homelessness. To address this disparity, key City investment priorities include expanding access to homelessness prevention resources and permanent, deeply affordable housing. This proposed item will increase the City Council's opportunity to make future allocations towards both of these priorities.

ACTION REQUESTED OF THE CITY COUNCIL

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For questions regarding this report, please contact Caleb Smith, Senior Advisor, at (510) 590-6275.

Respectfully submitted,

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