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OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND

AGENDA REPORT

2010 DEC -2 PM 12:40

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: December 14, 2010

RE: **A Resolution Combining Loan Funds for the Mortgage Assistance Program (MAP) and the Downpayment Assistance Program (DAP), Creating a Revolving Fund for Loan Repayments, and Changing the Loan Terms for the DAP**

SUMMARY

A resolution has been prepared to 1) combine the loan funds for the Mortgage Assistance Program (MAP) and the Downpayment Assistance Program (DAP) for sworn public safety employees and Oakland Unified School District teachers, and create one loan pool for first-time homebuyers; 2) create a revolving loan fund for loan repayments; and 3) change the loan terms for the program to be consistent with the MAP.

FISCAL IMPACT

Approximately \$590,000 is in the Downpayment Assistance Program loan fund. These funds will be moved from Fund 2185 (Oakland Redevelopment Agency Grants), Organization 88989 (Homeownership Programs), Project P129710 (PSE Downpayment Assistance Program), Program NB32 (Homeownership and Rehabilitation) to Fund 2185 (Oakland Redevelopment Agency Grants), Organization 88989 (Homeownership Programs), Project P41700 (FTHB Mortgage Assistance Programs), Program NB32 (Homeownership and Rehabilitation). Reallocating these funds Fund 2185, Organization 88989, Project P129710 (PSE Downpayment Assistance Program), Program NB32 will make them available to provide loans to Homeownership Programs.

The proposed changes will not require any budget changes. The source of funds will not change. Because loan activity under the DAP has been slow, the funds have been underutilized. These funds were provided from appropriated Redevelopment Agency low and moderate income housing funds that can be used to fund both programs on a first-come, first-served basis. The MAP is currently funded each year with \$2,500,000 from Oakland Redevelopment Agency funds. The DAP received \$1,000,000 when the program began in 1999 and has not received any additional funding since that time.

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BACKGROUND

The Downpayment Assistance Program (DAP) for Public Safety Employees (police and fire departments) was established October 26, 1999 by Resolution No. 7509 C.M.S., and amended July 25, 2000 by Resolution No. 75902 C.M.S. to include Oakland Unified School District (OUSD) teachers and Oakland Police Communication Dispatchers. The Redevelopment Agency provided \$1,000,000 to fund the program. The goals and objectives of the program were to support the City's neighborhood revitalization plans by creating innovative loan resources, improve the quality of life by encouraging and facilitating homeownership, increase the availability of home financing for low and moderate-income families, and provide access to home mortgage loan assistance offered by the City and other public-private agencies.

The loan amount was initially up to \$10,000. The loan amount was increased to \$20,000 December 2002. Only 25 loans have been made from the program in more than ten years and less than half the funds made available have been loaned from this program. Teachers have obtained loans from the MAP program that has more effective loan terms.

Some borrowers started making payments on their DAP loans in 2009 and some of the loans have been repaid in full. Staff did not have authority to appropriate those revenues and those funds are currently not available to make additional loans.

KEY ISSUES AND IMPACTS

Homeownership has long been a focus of the City's housing efforts. The City has programs that support, stabilize and expand Oakland's owner-occupied housing, promote affordable homeownership opportunities and increase the City's homeownership rate.

The DAP was created to provide an incentive, housing assistance and expand homeownership opportunities for public safety officers and teachers. The program has not been as successful as hoped because some household incomes for the target population for this program exceed allowable limits, and lower income teachers have qualified for other City programs. City staff has worked with Oakland Teachers Association, the OUSD and the Mayor's office to conduct additional outreach and workshops to acquaint this group with the program.

Oakland school teachers are eligible for other City assistance programs for first-time homebuyers, assuming that total household income is at or below 100 percent of the median income, which means \$72,250 for a household of two, and \$90,300 for a household of four. Those teachers have obtained loans from the MAP which provides a higher loan amount and more attractive loan terms.

Only one public safety officer has utilized the DAP. Since the maximum allowable income is 120 percent of the area median income, most public safety officers exceed the limit shortly after they complete their training.

Staff began tracking loans made to teachers from the MAP program in fiscal year 2005/06. The chart below shows the number of DAP loans made to teachers and public safety officers, and the number of MAP loans made to teachers.

Fiscal Year	No. of DAP loans	DAP loans to Public Safety Officers (Police)	MAP loans to Oakland Teachers	Loans to non-Oakland Teachers	Amount
2010/11			1	1	
2009/10			4	5	
2008/09	2		1	8	\$40,000
2007/08	2	1	4	3	\$40,000
2006/07			3	2	
2005/06			1	5	
2004/05	8				\$140,000
2003/04	6				\$100,000
2002/03	3				\$60,000
2001/02	2				\$20,000
2000/01	1				\$10,000

PROGRAM DESCRIPTION

The DAP-PSE program is City-wide and provides downpayment or closing cost for sworn public safety officers, police dispatchers and Oakland Unified School District teachers.

Loan Description

The DAP provides loans of up to \$20,000 (as determined by a participating lender) to qualifying homebuyers with incomes up to 120 percent of the area median income, with the following terms:

- It has a ten year term.
- Loan payments and interest are deferred for five years. Payments and interest begin the sixth year. Payments are approximately \$400 per month.
- There are no affordability restrictions on units purchased with City assistance. The homes can be resold at market value.
- DAP can be used with Mortgage Credit Certificate (MCC) Program administered through Alameda County, other first-mortgage products such as FHA and VA, and other approved assistance programs.

- No prepayment penalty.
- Secured by a deed of trust.
- \$200 application fee.

Loan Requirements

- Borrower must be a current full-time Oakland Unified School District Teacher, a sworn Oakland Police or Fire Service Employee, or a Police Dispatcher.
Borrower must be a first-time homebuyer.
Exceptions include:
 - Individuals who worked primarily in the home, owned a principal residence with a previous spouse, and are currently unemployed.
 - Single parents who owned a principal residence with a previous spouse.
 - Homebuyers who own or owned a mobile home or trailer, or house which requires repairs that exceed the cost of constructing a new home.
- Annual household income (income of all household members 18 and older) cannot exceed **120 percent** of the Area median Income (listed on *Attachment A*).
- Must contribute at least 3 percent of the purchase price from their own funds to pay down payment or closing costs.
- Property must be
 - located in Oakland.
 - a single-family dwelling including condominiums, townhouses, live/work units, and manufactured housing.
 - used as primary residence.
- Satisfactory General Home Inspection.

The City's goal remains to assist buyers to obtain maintain and retain their homes. All borrowers must attend an education class for first-time homebuyers. The City offers classes monthly and also accepts certificates of completion from HUD and NeighborWorks-approved counseling agencies.

Recommended Program Changes

- Create one loan pool for the MAP and DAP; loans would be made on a first-come, first-served basis.
- Increase maximum loan amount from \$20,000 to \$50,000
- Convert from a short-term 10-year loan with an interest rate of 6% interest rate to a 30-year deferred loan due on sale or refinance with a simple interest rate of 3%.
- Reallocate and appropriate current and future loan repayments into a revolving fund for future loans.

All other loan terms will remain unchanged. These changes will make the DAP program more consistent with the loan terms for the MAP, provide a more favorable loan opportunity for teachers and public safety officers.

SUSTAINABLE OPPORTUNITIES

Economic: The City's homeownership programs provide opportunities for low- to moderate-income families to build equity.

Environmental: The MAP and DAP programs provide assistance to purchase new and existing homes; most of the loans are for existing homes. There are no direct environmental opportunities or consequences as a result of these program changes. Homeownership improves the climate of the neighborhood by providing a sense of pride that may also result in fewer blighted properties.

Social Equity: The proposed changes will provide additional homeownership opportunities for low- to moderate-income families that can assist homeowners with building equity. Homeowners tend to participate in the community contributing to the stability and well-being of those neighborhoods.

DISABILITY AND SENIOR CITIZEN ACCESS

Persons with disabilities are eligible to apply for either of these programs. The City offers a program that assists disabled homeowners to make accessibility modifications. This program can be used by disabled homebuyers who have been assisted under the MAP.

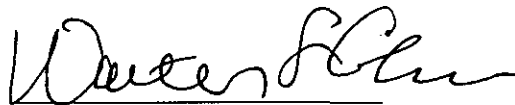
RECOMMENDATIONS AND RATIONALE

The proposed changes will have a positive impact on the homeownership programs. By offering more flexible loan terms and conditions to new homebuyers, the DAP will be more attractive to sellers, lenders and buyers. The changes will allow staff to continue to implement the goal of providing opportunities for affordable homeownership to the citizens of Oakland. Staff recommends that the City Council approve the resolution and that the City Administrator be authorized to make the changes to the program terms and conditions consistent with the attached resolution.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the Council adopt the proposed resolution to create one loan fund for first-time homebuyers, create a revolving loan fund for loan repayments from the Downpayment Assistance Program, and change the loan terms for the program.

Respectfully submitted,

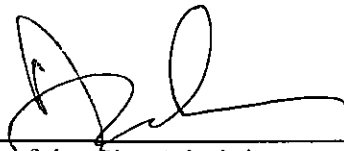


Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by: 
Michele Byrd, Deputy Director
Housing and Community Development

Prepared by:
Jackie Campbell, Manager, Homeownership Programs
Housing and Community Development Division

APPROVED AND FORWARDED TO THE COMMUNITY
AND ECONOMIC DEVELOPMENT COMMITTEE



Office of the City Administrator

Attachment

Item: _____
CED Committee
December 14, 2010

Attachment A

2010 Annual Household Income Limits

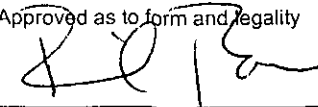
**INCOME LIMITS UNDER FEDERAL, STATE AND CITY/AGENCY HOUSING PROGRAMS
OAKLAND, CALIFORNIA**

Effective Date: May 14, 2010

INCOME LIMITS, ADJUSTED FOR HOUSEHOLD SIZE								
INCOME LEVEL	One Person	Two Person	Three Person	Four Person	Five Person	Six Person	Seven Person	Eight Person
60% of Area Median Income (1,2)	\$37,980	\$43,380	\$48,780	\$54,180	\$58,560	\$62,880	\$67,200	\$71,520
80% of Area Median Income (CDBG Moderate) (All Others: Low Income) (2, 3, 4, 5)	\$45,100	\$51,550	\$58,000	\$64,400	\$69,600	\$74,750	\$79,900	\$85,050
100% of Area Median Income (Median Income)	\$63,200	\$72,250	\$81,250	\$90,300	\$97,500	\$104,750	\$111,950	\$119,200
120% of Area Median Income (State Moderate Income) (3, 6)	\$75,850	\$86,700	\$97,500	\$108,350	\$117,000	\$125,700	\$134,350	\$143,050

NOTE: HUD Regulations and California State Law define "low" and "moderate" income differently, but all are based on the same figure for median income.

FILED
OFFICE OF THE CITY CLERK
OAKLAND

Approved as to form and legality

Deputy City Attorney

2010 DEC -2 PM 12:40

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A RESOLUTION COMBINING LOAN FUNDS FOR THE MORTGAGE ASSISTANCE PROGRAM (MAP) AND THE DOWNPAYMENT ASSISTANCE PROGRAM (DAP), CREATING A REVOLVING FUND FOR LOAN REPAYMENTS, AND CHANGING THE LOAN TERMS FOR THE DAP

WHEREAS, the City of Oakland has identified homeownership for low and moderate income families as a priority and created the Public Safety Employee Downpayment Assistance Program ("DAP") by Resolution No. 75309 C.M.S. October 26, 1999; and

WHEREAS, the program was amended to include Oakland Unified School District teachers and Oakland police communication dispatchers by Resolution No. 75902; and

WHEREAS, the DAP loan fund has \$590,000 remaining from the original allocation; and

WHEREAS, the City desires to combine the funds set aside specifically for the DAP with the funds for the Mortgage Assistance Program ("MAP"), creating one loan pool that funds loans for first-time homebuyers on a first-come first-served basis; and

WHEREAS, the City wishes to modify the terms of the DAP loan program to make the program more effective in the current housing market; and

WHEREAS, the City desires that funds received from the repayment of loans made under the DAP be used to make additional loans; now, therefore, be it

RESOLVED: That City Council hereby authorizes the City Administrator to combine the loan funds for the DAP with the funds for the MAP to create one loan pool to provide loans for eligible first-time homebuyers; and be it

FURTHER RESOLVED: That any funds received from repayments of loans made under the DAP shall be appropriated to provide new loans to first-time homebuyers; and be it

FURTHER RESOLVED: That the City Council hereby authorizes loan terms for the DAP to be changed to be consistent with the MAP; and be it

FURTHER RESOLVED: That the City Council hereby appoints the City Administrator and his designee as agent of the City to take any actions necessary to execute documents, administer the MAP and DAP programs, and take any other necessary actions consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES -BROOKS, DE LA FUENTE, KAPLAN; KERNIGHAN, NADEL, QUAN, REID, AND
PRESIDENT BRUNNER

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California