



AGENDA REPORT

TO: HENRY L. GARDNER
INTERIM CITY ADMINISTRATOR

FROM: RACHEL FLYNN

SUBJECT: Foreclosure Prevention Grant &
City Foreclosure Mitigation Staff Position

DATE: August 21, 2014

City Administrator
Approval

Date 8-3-14

COUNCIL DISTRICT: City-wide

RECOMMENDATION

Staff recommends that the City Council adopt:

A RESOLUTION APPROVING A GRANT OF \$50,000 IN COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS TO HOUSING AND ECONOMIC RIGHTS ADVOCATES FOR FORECLOSURE PREVENTION LEGAL SERVICES, AND AUTHORIZING A PROGRAM ANALYST III POSITION FOR THE BUILDING BUREAU'S FORECLOSED AND INVESTOR OWNED PROPERTIES PROGRAMS

EXECUTIVE SUMMARY

Since 2012, the City of Oakland and its public and private partners have been operating model comprehensive foreclosure prevention and mitigation programs. More information about the outcomes from these programs is provided in quarterly Council reports, including the latest report for the September 16, 2014 Community and Economic Development Committee meeting. To support the continued effectiveness of the City's programs, staff is requesting that the Council approve \$50,000 of one-time HUD Community Development Block Grant funds for Housing Economic Rights Advocates (HERA), a premier nonprofit legal services organization based in Oakland, to provide 50 additional Oakland households with foreclosure prevention and anti-predatory lending legal services. In addition, staff is requesting Council approval to add a new Program Analyst III position in the Bureau of Building in order to manage the new registration and database systems for both the Foreclosed Properties and Investor Owned Properties programs. The costs for a new Program Analyst III position are currently covered under the Council approved FY14-15 budget.

OUTCOME

The outcomes from the requested Council action would be:

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1. A \$50,000 grant to HERA to provide 50 Oakland households in mortgage or financial distress with legal services.
2. A new Program Analyst III position for the City's foreclosed and investor owned properties programs and more sustainable program operations.

BACKGROUND

In 2012, the City launched comprehensive foreclosure prevention strategies including legal services for distressed Oakland homeowners provided by HERA. Information about the outcomes of the comprehensive strategies and HERA's services have been provided on a quarterly basis with the most recent report scheduled for the September 16, 2014 Council Community and Economic Development Committee meeting.

As part of addressing the problems with properties in the foreclosure process, the Council on June 19, 2012 amended the City's original ordinance focused solely on vacant and foreclosed properties to include the registration by lenders or servicers of all defaulted and foreclosed properties, both occupied and vacant, and regular inspection and maintenance requirements. Council Ordinance No. 13126 C.M.S. On November 13, 2012, the Council adopted the Investor Owned Properties ordinance requiring investor purchasers of properties with a history of mortgage default or foreclosure to register, inspect, and maintain their properties. Council Ordinance No. 13141 C.M.S. The same staff team that operated the Defaulted and Foreclosed Properties program has also been operating the Investor Owned Properties program.

ANALYSIS

HERA's Services

As part of their current City grant of \$100,000, HERA has exceeded the service requirements of 100 Oakland households and has provided legal services to 159 households thus far. HERA's Oakland client population has been increasing due to increasing cases of foreclosure as income instability keeps pushing residents over the edge. HERA's current grant ends on November, 2014. Given the increasing need for legal services to address foreclosure prevention and predatory lending activities, staff proposes to add an additional \$50,000 to HERA's new grant, for a total of \$100,000, with funding from available one-time Community Development Block Grant funds that had been originally allocated to a use that is no longer needed.¹ The \$50,000 grant is contingent upon receipt of final approval from HUD for the reallocation of the one-time

¹ An allocation towards a new Community Development Program Coordinator was included as part of the Council's approved allocation for the expenditure of one-time CDBG funds. **Council Resolution No. 84956 C.M.S.** This position is no longer needed and the previously allocated funds can be utilized towards the HERA grant. The rest of the original allocation will be utilized towards staffing for the City's new Housing Assistance Center.

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funds.² Under prior Council authority given, the City Administration has the ability to provide HERA with a grant up to \$100,000 utilizing the penalty funds collected from the Foreclosed Properties and Investor Owned Properties programs. Council Ordinance No. 13139 C.M.S.

Program Analyst III Position for Foreclosed Properties & Investor Owned Properties Programs

It has been complicated and challenging for the City to effectively address the problems associated with defaulted and foreclosed properties. However, through the development of model systems and procedures, good working relationships developed with designated single points of contacts for each major lender, and a dedicated City staff team, the City has been able to operate highly effective programs with the following outcomes for FY 13-14:

- Proactive maintenance of properties by lenders and servicers with a blighted properties rate from spot inspections of 4 %. This is in comparison to over 50% blighted properties when the City began its new programs about three years ago.
- Servicer registration of 1,211 properties.
- Proactive City spot inspections of 315 properties.
- Direct collection of \$1,419,285 in fees and penalties from servicers.

In addition, the same City staff team has been operating the new Investor Owned Properties program, which has the following outcomes for FY13-14:

- Investor registration of 92 properties.
- City inspections of 74 properties.
- Direct collection of \$72,191 in fees and penalties from investors.

The existing City staffing for both the Foreclosed Properties and Investor Owned Properties programs includes:

1. .25 FTE Program Manager
2. 1.0 FTE Program Analyst I

² Staff has received conditional approval from HUD on the allocation of the one-time funds based upon restructuring of the FY 14-15 CDBG Budget, which has been submitted to HUD. Staff is awaiting HUD's final approval in writing.

3. 1.0 FTE Code Enforcement Inspector Supervisor
4. 1.0 FTE Code Enforcement Inspector
5. .5 FTE Public Service Representative

Given the development of new database systems for the registration programs and to help sustain the operations of these new programs, staff believes that a Program Analyst III position is required. The costs for this new position, an estimated \$150,000, is currently covered the Council approved FY14-15 budget for the Foreclosed Properties and Investor Owned Properties program with an approved annual operating budget of \$910,000. Since the revenues for the programs are based upon foreclosure numbers that fluctuate depending upon changing housing and economic market conditions, the continuation of the new Program Analyst III position beyond FY14-15 will be dependent upon ongoing available program revenues.

Since inception, the programs have generated sufficient revenues to both cover the costs of program operations, as well as fund foreclosure prevention programs.

PUBLIC OUTREACH/INTEREST

Staff has provided information to community organizations concerned about foreclosure prevention and mitigation programs in Oakland, including the Alliance of Californians for Community Empowerment, Alameda County Public Health Department, EBHO, OCO, and Urban Strategies Council.

COORDINATION

Coordination has occurred between the Bureau of Building, the Housing and Community Development Department, the Budget Office, and the City Attorney's Office.

COST SUMMARY/IMPLICATIONS

Relevant fiscal information includes:

- For the HERA grant, the \$50,000 in one-time CDBG funds is available for allocation.
- For the Program Analyst III position, estimated to be about \$150,000 for salary, benefits and Central Service Overhead costs, the budget for this position is currently covered under the Council approved budget for FY14-15.

The Department of Planning and Building intends to reprogram funding budgeted for operations and maintenance to create the new position, which will add an additional FTE position, above

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the authorized FTE positions previously approved by Council. Funding for the position will come from project revenue funds from the Foreclosed Properties program, Fund 2415, Organization 84454, Project A456210, Program NB31. Pursuant to Council ordinance, revenues from the Foreclosed Properties program are restricted to program operations first and then any remaining penalty funds are available to fund foreclosure prevention and related affordable housing programs. Council Ordinance No. 13126 C.M.S. In addition, staff is requesting that any savings from position changes be reallocated to program operations and maintenance. As such, allocating funds to the new position will not negatively impact operations of the Department of Planning and Building.

SUSTAINABLE OPPORTUNITIES

Economic: The proposed actions by preventing foreclosures or mitigating blighted abandoned properties will retard the deterioration of property values and will support future development and assist the economic growth and revitalization of the City.

Environmental: The proposed actions will reduce blight, including accumulation of garbage, dispersal of pollutants and target-organ toxins, and uncontrolled growth of vector populations.

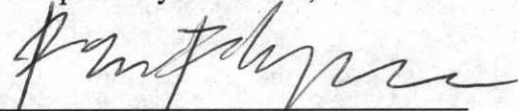
Social Equity: The proposed actions will result in preserving affordable housing opportunities and encourage the infusion and recurrence of diverse multi-cultural residents.

CEQA

In accordance with CEQA Guidelines Section 15301 (existing facilities) this action is categorically exempted.

For questions regarding this report, please contact Margaretta Lin at 510-238-6314.

Respectfully submitted,



Rachel Flynn, Director
Planning and Building Department

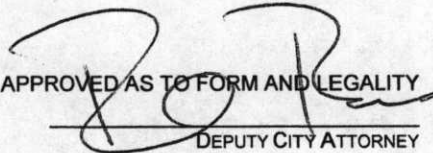
Reviewed by:
Michele Byrd, Director
Department of Housing & Community Development

Prepared by:
Margaretta Lin, Strategic Initiatives
Planning and Building Department
Housing and Community Development Department

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FILED
OFFICE OF THE CITY CLERK
OAKLAND

2014 SEP -4 AM 11:15

APPROVED AS TO FORM AND LEGALITY

DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A RESOLUTION APPROVING A GRANT OF \$50,000 IN COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS TO HOUSING AND ECONOMIC RIGHTS ADVOCATES FOR FORECLOSURE PREVENTION LEGAL SERVICES, AND AUTHORIZING A PROGRAM ANALYST III POSITION FOR THE BUILDING BUREAU'S FORECLOSED AND INVESTOR OWNED PROPERTIES PROGRAMS

WHEREAS, the City of Oakland has been devastated by the foreclosure crisis, with over 12,000 foreclosures from 2007 to 2013, a rate of about 1 in 14 households in foreclosure; and

WHEREAS, properties throughout the City of Oakland which lenders have recorded a notice of default (defaulted) or have taken ownership through a deed of trust (foreclosed) have been and continue to be significant and unnecessary attractors for blighting conditions that create severe health hazards in neighborhoods, including explosions of vector populations, accumulations and dispersals of pollutants and target-organ toxins, degradation of air quality; and conditions that adversely impact the quality of life for Oakland residents; and

WHEREAS, defaulted and foreclosed properties throughout the City also have been and continue to be significant and unnecessary attractors for trespassers and transient occupants that foster and enable criminal activities, including theft, vandalism, prostitution, and the sale and use of narcotics and other controlled substances; and

WHEREAS, defaulted and foreclosed properties throughout the City also have been and continue to be a significant and unnecessary discourager to economic development and contributor to the decline of property values in neighborhoods; and

WHEREAS, the City has expended and continues to expend vast and unnecessary amounts of limited resources and scarce funds investigating defaulted and foreclosed properties, mitigating the detrimental effects of neglected maintenance, curtailing associated criminal activity, and monitoring the recurrence of nuisance activities; and

WHEREAS, historically, the resource requirements for monitoring defaulted or foreclosed properties increases with the time that building remains vacant or occupied by involving an escalating commitment from Code Enforcement administrative, fiscal,

and supervisory staff, and involving a proliferating interaction with other City departments and agencies, including Real Estate, Finance, City Attorney, Fire, and Police and by City officers and officials; and

WHEREAS, historically, there are additional citywide costs of said resource requirements in areas of real estate divesture and acquisition, fire prevention and suppression, neighborhood revitalization, nuisance and criminal activities, hazardous material identification and disposal, litigation, liens and collections, degradation of the general tax levy, and public notification and hearings; and

WHEREAS, defaulted and foreclosed properties impose additional financial burdens on neighbors, prospective purchasers, and the business community in the City of Oakland; and

WHEREAS, the Council in June 2012 dedicated the use of penalty funds recovered from the City's defaulted and foreclosed properties blight program to fund foreclosure prevention efforts (penalty funds); and

WHEREAS, City staff has engaged in planning efforts with multiple State and community organizations working on foreclosure prevention and mitigation efforts and developed an integrated approach including community outreach, housing counseling, legal advocacy, tenant counseling, referral to the State Attorney General's office, a new foreclosure mitigation loan fund program, registration and blight abatement of properties, and City coordination; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide a grant of \$150,000 to Housing and Economic Rights Advocates (HERA), a housing legal advocacy organization with an effective track record of negotiating loan modifications for homeowners in foreclosure, to serve 150 homeowners in foreclosure, with \$100,000 of the grant coming from the City's penalty funds where the City Administrator has the authority to issue grants up to \$100,000, and \$50,000 of the grant coming from available one-time Community Development Block Grant funds; and

WHEREAS, the Council-approved budget for the City's Foreclosed Properties and Investor Owned Properties operations for Fiscal Year 2014-15 includes funding sufficient for a new Program Analyst III position; and

WHEREAS, the requirements of the California Environmental Quality Act (CEQA), the Guidelines as prescribed by the Secretary of Resources, and the provisions of the Statement of Objectives, Criteria and Procedures for Implementation of the California Environmental Quality Act: City of Oakland, have been satisfied, and that in accordance with CEQA Guidelines Section 15301 (existing facilities) this project is categorically exempt; now, therefore, be it

RESOLVED: That the City Council hereby allocates \$50,000 as a grant to Housing and Economic Rights Advocates for foreclosure prevention legal services, to be funded from the City's one-time Community Development Block Grant Funds from Fund (2108), Organization (89919), Program (YS11) contingent upon receipt of final approval from HUD for the reallocation of the one-time funds; and be it

FURTHER RESOLVED: That the Council hereby authorizes a new position of Program Analyst III to be created for the Department of Planning and Building's Defaulted and Foreclosed Properties and Investor Owned Properties program to be funded out of program revenue from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED: That the Council hereby authorizes the reallocation of any position savings, related to this Council action, to the operations and maintenance budget for the Department of Planning and Building's Defaulted and Foreclosed Properties and Investor Owned Properties program in Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED: That the Council hereby authorizes the City Administrator or his or her designee to negotiate and execute a grant agreement with Housing and Economic Rights Advocates and take whatever action is necessary with respect to such funding and to the creation of the new staff position consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2014

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON, MCELHANEY, KALB, KAPLAN, REID,
SCHAFF AND PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California