

CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: April 28, 2009

2009 APR 16 AM 11:03

RE: **A Total of Three Resolutions Regarding Homeownership Programs:**

1) An Agency Resolution Contributing Central City East Redevelopment Funds in the Amount of \$2,623,434 in FY 2008-09 and West Oakland Redevelopment Funds in the Amount of \$2,165,266 to the City Under the Cooperation Agreement for FY 2008-09 to Provide Mortgage Assistance to Homebuyers Earning Up to 100% of Area Median Income;

2) A Resolution Accepting, Appropriating, and Allocating Central City East Redevelopment Funds in the Amount of \$2,623,434 and West Oakland Redevelopment Funds in the amount of \$2,165,266 from the Redevelopment Agency Under the Cooperation Agreement for FY 1008-09 to Provide Mortgage Assistance to Homebuyers Earning Up to 100% of Area Median Income; and

3) A City Resolution Amending Resolution No. 70274 C.M.S. to Allow Mortgage Assistance to Homebuyers Earning Up to 100% of Area Median Income

SUMMARY

The Five-Year Implementation Plan for 2008-2013 for the Central City East Redevelopment Project Area and West Oakland Redevelopment Project Area allocates funds for specific housing activities, including increasing opportunities for homeownership in the Project Areas. Both Areas have designated funding for this program. Additionally, the existing Mortgage Assistance Program provides assistance to homebuyers earning up to 80% of Area Median Income. Staff requests to modify the program and provide assistance to homebuyers earning up to 100% of the Area Median Income.

FISCAL IMPACT

Funding for these programs will come from the Low and Moderate Income Housing Fund (9580).

1. A total of \$2,623,434 is available this year for the Central City East Project Area from Homeownership Organization (88989), CCE FTHB Project (L328610) to be provided to the City from the Oakland Redevelopment Agency.

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2. A total of \$2,165,266 is available this year for the West Oakland Homeownership Project (to be determined) from Housing Development Organization (88929), Housing Development Project (P20931) to be provided to the Oakland Redevelopment Agency.
3. No new or additional funding is required to expand the maximum income level for the Mortgage Assistance Program.

Consistent with the Five-Year Implementation Plan for the Project Areas (20% for Central City East and 30% for West Oakland), any future funds made available for affordable housing programs in the project areas shall be appropriated for this purpose.

Resolutions have been prepared to allocate and appropriate the funds for the Central City East and West Oakland Redevelopment Project Areas.

BACKGROUND

Central City East and West Oakland Redevelopment Project Areas

Central City East and the West Oakland Redevelopment Project Areas have made homeownership a priority as part of their implementation plans for 2008-2013. The Central City East Plan is composed of two separate components: a Redevelopment Component and a Housing Component. The Housing Component shows how the Agency will meet the statutory requirements for the set-aside and expenditure of tax increment for housing purposes. The West Oakland Plan has three components: 1. Public and Civic Infrastructure and Improvement; 2. Commercial and Industrial Areas and Business Activity; and 3. Housing and Affordable Housing. The Goals and Objectives of both Plans include increasing homeownership opportunities in these Project Areas. Both Project Area Committees (PACs) feel that homeownership is important for their areas.

Staff has met with the PACs several times over the last two years to discuss their ideas for programs to serve their project areas, explain the current Mortgage Assistance Program that serves a maximum area median income (AMI) level of 80%, and present options for a proposed First-Time Homebuyer Program for an AMI population up to 100%. The PACs recommended providing funding for homeownership programs in their areas serving up to 100% of AMI.

Mortgage Assistance Program

Oakland's First-Time Homebuyer Mortgage Assistance Program was established July 27, 1993 by Resolution No. 70274 C.M.S. The purpose of the program was to promote neighborhood stabilization and revitalization through homeownership opportunities for low- to moderate-income citizens, who had historically been underserved by major commercial lenders and the real estate community at large.

The program has been modified over the years, but the maximum income level eligible to be assisted by the program has remained at 80% of AMI. Only the City's Downpayment Assistance Program (for Sworn Public Safety Employees and Oakland Unified School District Teachers) serves up to 120% of AMI.

Funds for the program are from the Redevelopment Agency which allows income levels up to 120% of the AMI. The majority of neighboring cities provide programs to income populations up to 120% AMI.

KEY ISSUES AND IMPACTS

The current Mortgage Assistance Program limits the income of the buyer to 80% of AMI. This limitation did not pose a problem before 1999 when housing prices were at a level that a first-time homebuyer in this income range could afford. Home prices have increased and, even in the current housing market, it is still difficult for homebuyers in this income bracket to save a sufficient downpayment and qualify for financing at current home prices. The gap between housing prices and incomes is large enough that a subsidy is needed to make homeownership feasible.

Home prices have declined and most homes are selling at prices considerably lower than they were two years ago. It is a buyer's market and an opportune time to provide assistance to an income group that has not been eligible to receive assistance under the existing program. Buyers will be able to purchase homes for less than before or purchase larger homes. This is another tool that may assist in removing foreclosed, vacant, abandoned and blighted properties from the market and stabilize neighborhoods.

PROGRAM DESCRIPTION

The City will administer the new programs under the same structure as the existing Mortgage Assistance Program.

The City's loan is deferred for the life of the loan as long as eligibility requirements are maintained. As no payments are required on the City's Loan, the program extends the borrower's ability to buy without increasing the monthly principal and interest payment. The Mortgage Assistance Program provides loans with the following terms and requirements:

Loan Description

The City will lend qualifying homebuyers the amount needed (as determined by a participating lender) at 20% of the purchase price up to a maximum of \$75,000 to purchase a home.

- Loan amount is determined by participating lenders based on borrower's need. Loans are limited to 20% of the purchase price, not to exceed \$75,000.
- 3% simple interest.

- The total of the City loan, the first mortgage and all other loans cannot exceed **100%** of the purchase price or the appraised value of the property.
- Loan can be combined with other approved assistance programs.
- No monthly payments.
- Due in 30 years or when the borrower sells, transfers, refinances the property (under certain conditions), or the borrower no longer lives in the home.
- No prepayment penalty.
- Secured by a deed of trust.

Loan Requirements

- Must be a first-time homebuyer (can not have owned their principal residence in the last three years).
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 **100%** of the Area Median Income (listed on *Attachment A*).
- Must contribute at least 3% of the purchase price from their own funds to pay downpayment or closing costs.
- Maximum purchase price changes periodically.
- Property must be:
 - located in Oakland.
 - a single family dwelling, including condos, townhouses, live/work units, and manufactured housing.
 - used as primary residence.

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 Change

- Increase the income limit to include households with incomes up to 100 percent of AMI (approximately \$86,000 for a four-person household). This will expand the pool of eligible homebuyers who can be assisted. Loans to households between 81 and 100% AMI for the Redevelopment areas will be limited to 20% of the purchase price not to exceed \$50,000.

SUSTAINABLE OPPORTUNITIES

Economic: These homeownership programs will provide additional opportunities for low to moderate-income families that will help to build equity.

Environmental: There are no environmental opportunities as a result of these proposed changes and programs.

Social Equity: The proposed changes will provide additional homeownership opportunities for low-moderate-income families that can assist homeowners to build equity.

DISABILITY AND SENIOR CITIZEN ACCESS

There is no direct impact on persons with disabilities or senior citizens since these programs are for first-time homebuyers. Persons with disabilities and senior citizens are eligible to apply for either of these programs. The City offers other programs that provide rehabilitation and modifications to make properties accessible.

RECOMMENDATIONS AND RATIONALE

Staff recommends that 1) the proposed homeownership programs to provide homeownership opportunities and mortgage assistance be approved for the Central City East Project Area and the West Oakland Project Area, and 2) that the Mortgage Assistance Program be expanded to provide assistance to homebuyers earning up to 100% of the area median income.

ACTION REQUESTED OF THE REDEVELOPMENT AGENCY

Staff recommends that the Agency Board approve the following Agency Resolution:

A Resolution Contributing Central City East Redevelopment Funds in the Amount of \$2,623,434 in FY 2008-09 and West Oakland Redevelopment Funds in the Amount of \$2,165,266 to the City Under the Cooperation Agreement for FY 2008-09 to Provide Mortgage Assistance to Homebuyers Earning Up to 100% of Area Median Income.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council approve the following two (2) City Council Resolutions:

1) A Resolution Accepting, Appropriating, and Allocating Central City East Redevelopment Funds in the Amount of \$2,623,434 and West Oakland Redevelopment Funds in the amount of \$2,165,266 from the Redevelopment Agency Under the Cooperation Agreement for FY 1008-09

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to Provide Mortgage Assistance to Homebuyers Earning Up to 100% of Area Median Income,
and

2) A Resolution Amending Resolution No. 70274 to Allow Mortgage Assistance to Homebuyers
Earning Up to 100% of Area Median Income

Respectfully submitted,

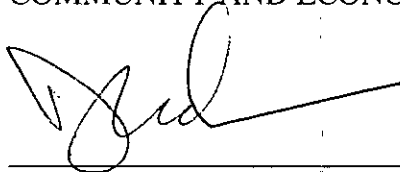


Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
Sean Rogan, Deputy Director
Housing and Community Development

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

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the City/Agency Administrator

Attachment A: Chart of Income Limits

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ELIGIBLE BORROWERS INCOME LIMITS

	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
30% OF MEDIAN	\$18,100	\$20,700	\$23,250	\$25,850	\$27,900	\$30,000	\$32,050	\$34,100
50% OF MEDIAN	\$30,150	\$34,450	\$38,750	\$43,050	\$46,500	\$49,950	\$53,400	\$56,850
60% OF MEDIAN	\$36,180	\$41,340	\$46,500	\$51,660	\$55,800	\$59,940	\$64,080	\$68,220
80% OF MEDIAN	\$46,350	\$53,000	\$59,600	\$66,250	\$71,550	\$76,850	\$82,150	\$87,450
100% OF MEDIAN	\$60,300	\$68,900	\$77,500	\$86,100	\$93,000	\$99,900	\$106,800	\$113,700
120% OF MEDIAN	\$72,360	\$82,680	\$93,000	\$103,320	\$111,600	\$119,880	\$128,160	\$136,440

HOUSING & COMMUNITY DEVELOPMENT DIVISION
250 FRANK H. OGAWA PLAZA, SUITE 5313, OAKLAND, CA 94612

CALL: 510.238.6201 / TDD 510.238.3254 VISIT: www.oaklandnet.com/homebuyers.html

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2009 APR 16 AM 11:04

Approved as to Form and Legality


Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. _____ C.M.S.

A RESOLUTION CONTRIBUTING CENTRAL CITY EAST REDEVELOPMENT FUNDS IN THE AMOUNT OF \$2,623,434, AND WEST OAKLAND REDEVELOPMENT FUNDS IN THE AMOUNT OF \$2,165,266, TO THE CITY UNDER THE COOPERATION AGREEMENT FOR FY 2008-09 TO PROVIDE MORTGAGE ASSISTANCE TO HOMEBUYERS EARNING UP TO 100% OF AREA MEDIAN INCOME

WHEREAS, the Redevelopment Agency has adopted Five-Year Implementation Plans for 2008-2013 for the Central City East and West Oakland Redevelopment Project Areas that allocate funds for specific housing activities, including increasing opportunities for homeownership; and

WHEREAS, both Project Area Committees desire to establish homeownership programs for their areas and have designated funding for a homeownership program that provides mortgage assistance to homebuyers earning up to 100% of area median income; and

WHEREAS, the City administers a Mortgage Assistance Program (MAP) for first-time homebuyers that assists low income first-time homebuyers to purchase homes in Oakland by providing deferred loans that generate private mortgage lending and provide homeownership opportunities; and

WHEREAS, the City will administer the programs for the redevelopment project areas and provide first-time homebuyers with mortgages that are subordinated to mortgages provided by other lenders; and

WHEREAS, \$2,623,434 is available through this year for the Central City East Redevelopment Project Area, and \$2,165,266 is available through this year for the West Oakland Redevelopment Project Area; and

WHEREAS, the City and the Redevelopment Agency entered into a Cooperation Agreement on July 1, 2004, which governs the provision of assistance and payment of funds between those agencies; now, therefore, be it

RESOLVED: That the Redevelopment Agency hereby authorizes a contribution of \$2,623,434 to the City under the Cooperation Agreement for mortgage assistance to homebuyers in the Central City East Redevelopment Project Area earning up to 100% of Area Median Income, and a contribution of \$2,165,266 to the City under the Cooperation Agreement for mortgage assistance to homebuyers in the West Oakland Redevelopment Project Area earning up to 100% of Area Median Income; and be it further

RESOLVED: That the funds shall come from the Low and Moderate Income Housing Fund (9580), Housing Development Organization (88929), Housing Development Project (209310) to the West Oakland Homeownership Project (to be determined); and from the Low and Moderate Income Housing Fund (9580), Homeownership Organization (88989), CCE FTHB Project (L328610); and

RESOLVED: That consistent with the Five-Year Implementation Plan for the Project Areas, (20% for Central City East and 30% for West Oakland) funds appropriated in future years for affordable housing programs in these areas shall be allocated to the first-time homebuyer program; and be it

FURTHER RESOLVED: That the Agency hereby appoints the Agency Administrator and his or her designee as agent of the Agency to take any actions necessary to execute documents, administer the Mortgage Assistance Programs, and take any other necessary actions consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2009

PASSED BY THE FOLLOWING VOTE:

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

NOES --

ABSENT --

ABSTENTION --

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2009 APR 16 AM 11:04

Approved as to Form and
Legality


Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A RESOLUTION ACCEPTING, APPROPRIATING AND ALLOCATING CENTRAL CITY EAST REDEVELOPMENT FUNDS IN THE AMOUNT OF \$2,623,434, AND WEST OAKLAND REDEVELOPMENT FUNDS IN THE AMOUNT OF \$2,165,266, FROM THE REDEVELOPMENT AGENCY UNDER THE COOPERATION AGREEMENT FOR FY 2008-09 TO PROVIDE MORTGAGE ASSISTANCE TO HOMEBUYERS EARNING UP TO 100% OF AREA MEDIAN INCOME

WHEREAS, the City administers a mortgage assistance program for first-time homebuyers that assists low income first-time homebuyers to purchase homes in Oakland; and

WHEREAS, the Redevelopment Agency has authorized a contribution of Central City East and West Oakland redevelopment funds to the City for mortgage assistance in those project areas; and

WHEREAS, the City and the Redevelopment Agency entered into a Cooperation Agreement on July 1, 2004, which governs the provision of assistance and payment of funds between those agencies; now, therefore, be it

RESOLVED: That the City Council hereby accepts a contribution of \$2,623,434 from the Agency under the Cooperation Agreement for mortgage assistance to homebuyers in the Central City East Redevelopment Project Area earning up to 100% of Area Median Income, and a contribution of \$2,165,266 from the Agency under the Cooperation Agreement for mortgage assistance to homebuyers in the West Oakland Redevelopment Project Area earning up to 100% of Area Median Income, and appropriates \$2,623,434 to the Oakland Redevelopment Agency Grant Fund (2185), Homeownership Organization (88989), Central City East Homebuyer Program (to be determined) and \$2,165,266 to the Oakland Redevelopment Agency Grant Fund (2185), Homeownership Organization (88989) West Oakland Homebuyer Program (to be determined); and be it

FURTHER RESOLVED: That all loan repayments and other income derived from the first-time homebuyer programs shall be appropriated for the first-time homebuyer programs; and be it

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

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2009

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

FILED
OFFICE OF THE CITY CLERK
OAKLAND

OAKLAND CITY COUNCIL

Approved as to Form and
Legality


Deputy City Attorney

2009 APR 16 AM 11:12

RESOLUTION NO. _____ C.M.S.

A RESOLUTION AMENDING RESOLUTION NO. 70274 C.M.S. TO ALLOW MORTGAGE ASSISTANCE TO HOMEBUYERS EARNING UP TO 100% OF AREA MEDIAN INCOME

WHEREAS, Oakland's Mortgage Assistance Program (MAP) for first-time homebuyers was established July 27, 1993 by Resolution No. 70274 C.M.S. to assist low income first time homebuyers at or below 80% of Area Median Income to purchase homes in Oakland by providing deferred loans that generate private mortgage lending and provide homeownership opportunities; and

WHEREAS, increases in housing prices have limited the effectiveness of the program with the current income limits; and

WHEREAS, the City wishes to modify the program and increase the maximum income limit to 100% of Area Median Income to be more effective in the current housing market by providing subsidy to assist moderate income homebuyers; now, therefore, be it

RESOLVED: That the City Council hereby amends Resolution No. 70274 C.M.S. to modify the program guidelines for the Mortgage Assistance Program to increase the maximum eligible income limit to 100% of Area Median Income; and be it

FURTHER RESOLVED: That the City Council hereby appoints the City Administrator and his or her designee as agent of the City to take any actions necessary to execute documents, administer the Mortgage Assistance Program, and take any other necessary actions consistent with the Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2009

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