

CITY OF OAKLAND

AGENDA REPORT

FILED

OFFICE OF THE CITY CLERK

OAKLAND

TO: Office of the City Administrator

ATTENTION: Community and Economic Development Agency
2010 FEB 18 PM 5:21

FROM: Community and Economic Development Agency

DATE: March 2, 2010

RE: Discussion And Possible Action On A Report And Recommendations Regarding The Progress Of The Oakland Community Land Trust In Obtaining Additional Project and Operational Financing, And A Recommendation To Continue The Neighborhood Stabilization Program Funding Allocation To The Oakland Community Land Trust To Acquire and Rehabilitate Foreclosed Homes

SUMMARY

This is a report on the progress of the Oakland Community Land Trust (OakCLT) in obtaining additional project and operational financing as part of OakCLT's project to acquire, rehabilitate and sell foreclosed homes in certain target areas of West and East Oakland with funding from the City's Neighborhood Stabilization Program (NSP) grant. The report also includes a recommendation to continue the NSP funding allocation to OakCLT to acquire and rehabilitate foreclosed homes.

FISCAL IMPACT

Funds in the amount of \$5,025,000 for OakCLT are already budgeted in the HUD-CDBG Fund (2108), Residential Lending Services Organization (88939), NSP – Owner Project (G368130).

BACKGROUND

On April 21, 2009, Council adopted Resolution No. 81933 C.M.S. authorizing a \$5,025,000 loan from the U.S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program to the Urban Strategies Council/Oakland Community Land Trust for the acquisition and rehabilitation of foreclosed homes. The Resolution provided that staff would prepare a recommendation to be heard directly by the full City Council at its March 2, 2010 meeting to ensure that Neighborhood Stabilization Program funds are obligated by October 1, 2010.

KEY ISSUES AND IMPACTS

OakCLT and the City, under the Neighborhood Stabilization Program (NSP), have been working together closely over the past several months to implement an innovative and challenging program to acquire and rehabilitate foreclosed homes to provide permanently affordable homeownership for low income families, using a community land trust model. Under this model, a community based organization – the land trust – acquires properties and retains ownership of the land, selling only the improvements while providing a long-term leasehold in

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the land. The land trust provides community control to prevent speculative flipping of properties while offering low income families an opportunity to become homeowners with modest gains in equity.

Implementation of this program has been more challenging than expected, primarily due to difficulty in obtaining suitable properties from banks and the particular requirements of the NSP program. Every NSP grantee in the Bay Area has faced the same challenges, and progress in acquiring properties and expending NSP grant funds has been slower than anticipated regardless of which entity is doing the development and regardless of the particular mechanism that is used to ensure the continuing affordability required by NSP.

To meet these challenges, CEDA staff have formed a multi-disciplinary team to implement this program, involving senior staff in the areas of housing development, housing rehabilitation, homebuyer assistance, community development, and policy and program management. This team meets on a biweekly basis with OakCLT's development team to discuss progress and coordinate efforts while ensuring that NSP program requirements are met. Staff secured technical assistance from the Enterprise Foundation, who worked with both teams to develop streamlined workflows to help address the many challenges of this new program. The City has now been selected by HUD for additional technical assistance.

Acquisition of Properties

Acquiring properties, especially the right property, has proven to be more difficult than expected. When the program was first announced, it was generally assumed that banks would seize the opportunity to readily dispose of their large inventory of foreclosed properties, particularly those located in highly distressed neighborhoods. In practice, however, banks have sought to dispose of properties in a manner that leaves NSP-funded purchasers at a distinct disadvantage.

As is true in other NSP-funded jurisdictions, the collapse of housing prices and the availability of Real Estate Owned (REO) properties has attracted substantial interest from investors and speculators who have been outbidding NSP-funded entities and are able to close escrow within 15 days of making an offer. OakCLT has found there's a lot of competition for the properties and in some cases is losing potential properties to private investors and homebuyers. Given the extensive NSP requirements each property must adhere to prior to purchasing, banks are more inclined to accept an offer from another party with cash on hand rather than an offer from OakCLT.

Second, it has been extremely challenging to identify properties where the combined cost of acquisition and rehabilitation are within a range that doesn't require excessive subsidies to permit resale at prices that are not only competitive in today's depressed market, but are sufficiently below market to be affordable to the target population, households with incomes at or below 60 percent of median income. Moreover, the NSP regulations require that affordability

be maintained for the longest feasible time, and these resale restrictions require additional discounts in order to be marketable.

The majority of the vacant, foreclosed properties located in Oakland suffer from years of deferred maintenance, as well as the more recent vandalism that one might expect from homes which are vacated in unfortunate situations, then left vacant for 3-6 months, or become inhabited by squatters. The result is that the average cost of rehab on these properties, at prevailing wages as required by NSP, often exceeds \$80,000. This reality creates an additional strain on the program. While the market price of homes in the NSP zones has dropped by as much as 75% since the height of the market in 2007, the cost of rehabilitation is exorbitant, often exceeding the asking price of the home. The City's loan agreement with OakCLT currently provides for a maximum subsidy of \$85,000, slightly higher than the subsidy permitted under the City's first-time homebuyer programs. This constraint means that OakCLT must reject approximately 75 percent of the homes they evaluate. Staff may consider increasing this subsidy limit if it appears this would increase the pace and number of acquisitions and resales.

A third challenge is the requirement of compliance with the National Environmental Policy Act (NEPA), which has proven to cause great difficulty in acquiring properties. In the NSP target areas, most of the housing stock consists of homes that are older than 50 years and require prior review by the State Historic Preservation Office (SHPO). Before OakCLT can acquire a property, it must have clearance from SHPO, which takes up to 30 days for approval. Banks are only allowing 15 days for acceptance of an offer, which frequently precludes OakCLT from acquiring properties directly from the bank. As a solution to this problem, OakCLT has worked with City staff to submit potential acquisitions to SHPO, thereby allowing for the requisite 30 day review prior to submitting an offer to bank.

In short, the requirements of the NSP program and the constraints of the market have required significant up front effort with limited success. OakCLT estimates that it must evaluate 10 properties for every one successful acquisition.

Another challenge with acquiring potential properties is a drop in the number of REOs listed and/or available for sale in the targeted areas. The limited number of available REOs is surprising. Given the high number of foreclosures in Oakland, one would expect the inventory to be higher than ever. This phenomenon is widespread, not just in other Bay Area jurisdictions, but in other regions as well. Many experts suggest that banks may be holding properties off the market, sometimes even delaying foreclosure when borrowers default, in order to delay having to report losses on their books. According to a spokesperson for RealtyTrac, about half of bank repossessions over the past year aren't yet on the market. Banks may also be reluctant to flood the market with too many REOs for fear of further depressing the market.

A final challenge has been NSP's requirement that property be acquired with at least a 1% discount from the current appraised value. With the median price of homes already dramatically

reduced, banks are somewhat resistant to do a further reduction and are more inclined to accept another offer from a private investor or homebuyer.

To address these challenges, staff were instrumental in bringing the National Community Stabilization Trust (NCST) to the Bay Area. Formed by a consortium of nonprofit intermediaries including the Enterprise Foundation, Local Initiatives Support Corporation (LISC) and NeighborWorks, NCST has worked on a national scale to develop relationships with lenders and standardized procedures and documents for purchase of foreclosed properties under the NSP program. NCST's program provides access to more foreclosed properties and a longer period to complete transactions, allowing time to complete NEPA-required SHPO reviews. NCST has also developed agreements with lenders that yield the required 1 percent discount on the purchase price. Other Bay Area NSP jurisdictions are also entering into agreements with NCST. The relationship has proven to be successful and as time progresses; it will play a key role in the acquisition of properties for OakCLT.

Project Financing

Since the last report to City Council, OakCLT has continued working diligently to obtain additional financing for implementation of the Land Trust. OakCLT has been preliminarily approved, pending use, for a \$1 million loan from NCB Capital Impact. NCB Capital Impact is still working with an additional potential partner, Catalyst Foundation, to secure an additional \$1 million in Program Related Investment financing from Catalyst.

OakCLT is continuing its discussions with a number of traditional banks to access acquisition and rehabilitation financing, and to line up financing for mortgage loans for prospective purchasers. However, while this will provide more financing on an interim basis for an expansion of acquisition and rehabilitation, the real challenge for OakCLT is obtaining additional subsidy to ensure that sales prices are written down to a level affordable to families with incomes at 50%-80% of Area Median Income (AMI).

OakCLT's initial proposal, which envisioned the acquisitions and resale of 200 homes, was based on the expectation that it would secure another \$9 million in unidentified funding through the City and thereby be able to leverage more outside subsidy funding as well. OakCLT had been in preliminary conversations to use non-housing redevelopment funds, but since the initial application, redevelopment revenues in the NSP target areas have fallen sharply due to downward reassessments of properties and the State's taking of \$41 million in redevelopment funds, making this source infeasible.

In the summer of 2009, the City submitted an application to HUD for funding under the NSP2 program. The City proposed a consortium that included OakCLT and other entities for a total request of \$25 million, of which \$8 million was designated for OakCLT. Unfortunately, the City's NSP2 application was not successful. Therefore, there is a substantial deficit in the budget to cover the subsidy needed to complete all of the proposed 200 homes.

OakCLT plans to use the remaining NSP1 funds to help leverage private equity investments through the sale of New Markets Tax Credits (NMTC). Without the additional NSP2 funds, and using only NSP1, NMTC and sales proceeds from the initial phase, OakCLT projects that it can complete the acquisition, rehabilitation and sale of approximately 86 homes.

Financing for acquisition of rehabilitated homes by low income families is still expected to come from programs operated by the California Housing Finance Agency (CalHFA). CalHFA is continuing to work to implement a new "Circle of Hope" program to provide special permanent financing to support City and County REO programs and will also provide CalHFA-owned REO's to be purchased with NSP funds. OakCLT is also working with Wells Fargo to secure a loan product specifically targeted for potential buyers of homes in the Land Trust. See *Attachment A* for more detail on proposed financing.

New Markets Tax Credits

The City and OakCLT are continuing ongoing discussions to determine the best legal and financing structure to use to secure NMTCs and leverage additional funds to support the project. The essential idea is to use the remaining unspent NSP funds, along with the sale proceeds from funds already invested, to allow OakCLT to leverage significant additional equity proceeds for the project. The NSP1 projection assumes \$3.51 million in additional project equity can be raised through NMTC. These projections are preliminary and are subject to change. OakCLT is continuing discussions of the proposal and the projections with the entity that allocates NMTC financing. Based on the outcome of those discussions, staff will return to Council to seek any additional authority that may be required in order for the City to participate in a New Markets Tax Credit deal.

Funding for OakCLT's Operations Costs

OakCLT has secured commitments for \$102,000 of the anticipated \$125,000 it needs for the first year of operations. \$70,000 is a grant from NCB Capital Impact, and \$32,000 is from Enterprise Partners. OakCLT has applications pending with additional foundations to cover the remaining \$23,000.

Comparison with Other NSP Grantees

Every NSP jurisdiction in the Bay Area is experiencing similar difficulties.

Staff has been working closely with other NSP jurisdictions in the Bay Area, and was instrumental in forming a working group that has met several times to exchange ideas and work collaboratively to bring NCST to the Bay Area and develop strategies for regional branding and marketing of NSP properties to ensure that NSP-assisted homes can be sold quickly. As noted in a lead article in the February 3, 2010 edition of the Oakland Tribune (*Attachment B*), "Cities and Counties are struggling to get their hands on the right homes, competing with cash-carrying

investors and thwarted by banks reluctant to put foreclosed houses on the market.” Additionally, the article includes information on the progress of other jurisdictions within the Bay Area and in comparison; Oakland has purchased two (2) single family homes and one (1) rental building for rehabilitation, obligating approximately 15% of the allocated funds, which is substantially equivalent or better than performance in other jurisdictions.

RECOMMENDATION AND RATIONALE

Staff recommends continuing the NSP fund allocation to OakCLT. It would not be prudent at this time to reallocate the NSP funds to another agency to implement the program. All the work the City and OakCLT have done in developing processes for the implementation of NSP puts Oakland in a better position to obligate the NSP funds by HUD’s October 2010 deadline, by continuing to work with OakCLT rather than by awarding the funds to another agency. If it continues to be difficult to find sufficient properties within current budget constraints, the maximum subsidy amount could be increased above the current limit of \$85,000 to make it possible to expand the number of properties that can be successfully addressed through the NSP program.

Continuing the NSP fund allocation to OakCLT will reverse the landslide of vacant foreclosed homes in Oakland’s working-class neighborhoods; OakCLT homes will serve as anchors to encourage non-OakCLT homebuyers to purchase in those same neighborhoods. In the long-term, OakCLT houses will ensure development of mixed-income neighborhoods as housing prices rise. NSP funds provide public investment in the stabilization of neighborhoods hit hard by foreclosures.

ALTERNATIVE RECOMMENDATION

As an alternative, the Council could choose to reallocate NSP funds to another agency to implement NSP. Staff recommends against this course of action. Given the difficulties faced by other jurisdictions, the challenges in utilizing NSP funds as fast as originally anticipated are unrelated to the particular development entity or affordability model, and have more to do with the constraints of the NSP program and the market. Use of another agency would not overcome these difficulties and the time and staff resources required to execute agreements and get another entity up to speed are not likely to be more productive than maintaining the existing arrangement with OakCLT.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council accept this report on the progress of the Oakland Community Land Trust in obtaining additional project and operational financing, and accept the recommendation to continue the Neighborhood Stabilization Program funding allocation to the Oakland Community Land Trust to acquire and rehabilitate foreclosed homes.

Respectfully Submitted,



Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
Jeffrey Levin, Acting Deputy Director of
Housing and Community Development

Prepared by:
Michele Byrd, Manager
Community Development Block Grant Program

APPROVED AND FORWARDED TO
THE CITY COUNCIL:



Office of the City Administrator

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OAKCLT GRANTS/CONTRACTS SUMMARY – FEBRUARY 17, 2010

IN-PROCESS -- Operations					
Name	Previous Contact/ Submittal	Due	Process	Purpose/Notes/ Contact	Status
FY2011 Congressional Earmark		2/16/10	Online Application	CLT Operations	PENDING – Application submitted 2/12/10 - \$250,000
Home Depot	Submitted and denied 7/1/09	1/15/10	LOI	CLT Programs	PENDING- \$50,000 request submitted 1/15/10
JP Morgan Chase		Rolling;	LOI online	CLT operations	PENDING – Application submitted 2/12/10 --\$50,000;
CitiBank Foundation		Rolling;	LOI online	CLT operations	PENDING- Application submitted 1/11/09- \$50,000
HSBC		Rolling;	Online app		PENDING- Submitted multi-year request for \$100,000 each year- 1/20/10 Met with Regional Manager for Comm. Relations- 1/27/10 (unable to fund multi yr; funding amounts not yet est.)
Union Bank Foundation		Rolling	LOI	CLT Operations	LOI completed- \$20,000
US Bancorp		March 1, 2010	Full application		\$25,000 application being submitted March 1, 2010

PROSPECTS -- Operations					
Name	Previous Contact/ Submittal	Due	Process	Purpose/Notes	Status
Casey Foundation			LOI by mail	CLT operating support	PENDING- Site visit by Roger Williams 1/13/09 General support request submitted, 1/29/10
Fannie Mae Foundation	Spoke to Rosie Allen-Herring 1/5/10		LOI	CLT Operations Zeeda M. Daniele Sr. Business Manager (626) 396-5386 zeeda_m_daniele@fanniema.com	Conference held with Sr. Business Manager, project outline submitted- 2/3/10. No unsolicited proposals; OakCLT invited to apply. Will be advised of application process once program areas and funding amounts are determined.

PROSPECTS -- Operations

Name	Previous Contact/ Submittal	Due	Process	Purpose/Notes	Status
Wells Fargo Foundation- Funding request	Declined- \$25,000	Rolling	Online application and Request letter	CLT Operations	reapplying for \$25,000 Submission 2/19/10
Wells Fargo Corporation- Funding request	Declined- \$25,000	Rolling	Online application and Request letter	CLT Operations	reapplying for \$25,000 Submission 2/19/10
John S. and James L. Knight		Rolling			Submitting for \$100,000 by 3/12/10
State Street Foundation		Rolling			Submitting for \$50,000 by 3/12/10
Kresge Foundation		Rolling	LOI	CLT Operations, MRI	LOI submission in progress for General operating and PRI funds Amount TBD
Sparkplug;		May 2010	LOI	special project/start up: http://www.sparkplugfoundation.org BL lm- 12/17	Need specific outreach project to start in June 2010.
Ford Foundation	12/3/09 mtg with George McCarthy	Fall 2010		CLT operations	No funds available this year; encouraged to inquire fall 2010
Windermere Foundation				<i>Christine Wood, ED foundation@windermere.com or (206) 527-3801.</i>	TBD; Awaiting response from ED Christine Wood
Heron, F.B. Foundation		Rolling			Not currently accepting new apps- need to follow up with alternative contact
Charles Stewart Mott	Spoke to Program Director 12/22/09		Online LOI	special projects to seize the opportunity presented by foreclosure: http://www.mott.org/about/programs/pathwaysoutofpoverty/specinit.aspx	Jack Litzenberg suggested applying in August funding cycle

PROSPECTS -- Operations

Name	Previous Contact/ Submittal	Due	Process	Purpose/Notes	Status
Goldman;			LOI	San Francisco Bay Area: http://www.goldmanfund.org/html/grants/awarded/2009/2009-grants-environment.html Jerry Travis, Program Associate – 12/17	Application not encouraged

AWARDED- CLT OPERATIONS

Name	Previous Contact/ Submittal	Due	Process	Purpose/Notes	Status
NCB Capital Impact	10/09	N/A		CLT- ED and TA	Awarded \$50,000, increased by \$20,000 (Feb 2010)
Enterprise Partners	8/5/09	N/A	Worksheet	CLT- ED and TA	Awarded- \$25,000, to be increased by \$7,000+ (Feb 2010)

PROGRAM/FIRST MORTGAGE AND HOMEBUYER ASSISTANCE

Name	Previous Contact/ Submittal	Due	Process	Purpose/Notes	Status
AHEAD/FHLBSF	2009 Declined	1 st Quarter 2010	Application sponsored by OneCal	CLT- Pre Development	Declined- \$25,000; reapplying 1 st Quarter 2010
Mission Hills Mortgage Bankers		N/A	Program approval of documents, guidelines and financials	First mortgages for homebuyers	Completed approval process; expect notice any day
Meriwest Credit Union			Program approval of documents, guidelines and financials	First mortgages for homebuyers	Completed approval process; expect notice any day
Wells Fargo Mortgage				First mortgages for homebuyers	Awaiting approval of program for California

Mason-McDuffie Mortgage Corporation			Program approval of documents, guidelines and financials	First mortgages for homebuyers	Documents submitted; awaiting approval (Feb 2010)
Just Price Solutions			Program approval of documents, guidelines and financials	First mortgages for homebuyers	Interested in working with OakCLT; lending temporarily suspended as of Dec. 21, 2009 to complete reorganization from NHSA to JPS
Chase Bank			Program approval of documents, guidelines and financials	First mortgages for homebuyers	Begun preliminary discussions (again) Jan 6, 2010
WISH/FHLBSF		1 st Quarter 2010	Application seeking sponsorship by Meriwest CU and Mechanics Bank	Down payment assistance	3:1 match; up to \$15,000 per applicant – approx 67 home buyers
CALHome		Available through NCLT and City of Oakland	N/A	Down payment assistance	\$35,000 DPA per home,

Attachment B

Stimulus housing plan slow to take shape

By John Simerman

Contra Costa Times

Posted: 02/02/2010 04:45:33 PM PST

Updated: 02/03/2010 05:15:15 PM PST

A year into a \$6 billion federal program to buy up, rehab and sell abandoned properties in hard-hit neighborhoods, the bulk of the first \$40 million in Bay Area grants remains unspent.

Cities and counties are struggling to get their hands on the right homes, competing with cash-carrying investors and thwarted by banks reluctant to put foreclosed houses on the market.

The creeping pace of the Neighborhood Stabilization Program seems to defy both the idea of rapid federal stimulus and the fast flow of houses bobbing into foreclosure — one every 18 minutes in the Bay Area. Housing experts say its troubles are partly attributable to red tape and overwhelmed banks, but mostly to what they never anticipated: a surge in the market for beleaguered properties.

A sea of eager, cash-toting investors are lapping up cheap foreclosures, often before the agencies can bid on them. The program requires that cities and counties buy the properties at a discount — a condition the banks have been slow to embrace given the high demand.

"I don't know that we expected in the East Bay to see the level of competition from investors in neighborhoods that were facing blight," said Larry Bush, spokesman for the Department of Housing and Urban Development.

The result: Contra Costa County, with \$6 million from the federal program, has so far managed to turn over just one house, although it has nine more in the works with the help of Habitat for Humanity and other private housing firms. That's a leg-up on most other Bay Area cities and counties. Antioch, a hotbed of East Bay foreclosure, received \$4 million, but has spent none. Richmond, with \$3.3 million, had committed about 10 percent of the money as of Dec. 31, and so had Alameda County, which got \$2.1 million. San Jose bought two rental properties for rehab, but had committed less than \$500,000 of its \$5.6 million, according to quarterly reports to HUD.

"I didn't think it would be this hard," said Kara Douglas, Contra Costa County's affordable housing program manager.

Oakland, with an \$8.2 million grant, has weighed in with just two purchases of single family homes, and one rental building for rehab.

"The banks are not opening up these properties so easily, and we're having to compete with investors who are there with cash at hand," said Michelle Byrd, director of the city's community block grant program. "There are a lot of speculators out there. It's just been very difficult to acquire the properties."

The clock is ticking. Most cities and counties must commit all of the money by September or risk losing it — a deadline that has state and local agencies grumbling.

"It's a great program. It's helping these communities hit hard by foreclosures that undervalue the rest of the market and also increase crime," said Chris Westlake, deputy director of the state Department of Housing and Community Development, which oversees \$145 million in program money.

The deadline is an issue, he said. "Everybody's yelling for an extension. There's a concern nationwide."

It's unclear just how much the investor market is itself doing what the federal program set out to accomplish — stanching the tide of vacant houses that lower property values, pushing neighbors deeper underwater and roiling new waves of foreclosures.

"The belief was we would ensure that the homes were going to some people who were going to put real investment in it," said Bush, "and that means a homeowner who is going to be living there, as opposed to someone who would do a low-budget retrofit and try to rent it out."

Banks concerned about their own balance sheets have proven reluctant players. They also appear to be keeping houses off the market and delaying foreclosures, said Rick Sharga, senior vice president of RealtyTrac. Some banks are letting delinquent borrowers stay longer in houses, rather than boarding them up. About half of bank repossessions over the past year aren't yet on the market, he said.

"They don't want to flood the market, and they have another problem — the elephant in the room: They don't have to write down the value of these assets until they resell them," he said. "The banks really have held back an awful lot of inventory."

It's clear that's what's happening in Oakland, said Byrd, and it's confounding the federal program.

"I think Congress envisioned the banks would just be ready to work with us and give up these properties, whereas they're not."

Squeezed by supply and demand, housing advocates working with Contra Costa County have been forced to broaden their search. Habitat for Humanity wanted to key in on the troubled Shore Acres section of Bay Point, for instance, for a greater impact. Instead, they've picked up five houses across the city. "Our ideal would be to find a number of homes on one street," said Alyssa Thunberg of Habitat for Humanity. "We were hopeful we could focus narrowly, which hasn't happened yet."

The delays extend across the country, with only about 30 percent of the money committed so far, said Craig Nickerson, president of the National Community Stabilization Trust, which has pushed large banks to join a "first look" program, where local agencies can bid on properties before they reach the market.

It's only beginning to work, and East Bay cities and counties have signed on. Habitat for Humanity is closing on its fifth house in Bay Point, with plans for eight. Another housing contractor has bought two houses for the county in San Pablo.

The purchases reflect a grim reality. One house on Riverside Drive in Bay Point went for \$376,000 in 2006. Another, on Surf View Drive, sold for \$285,000. Habitat for Humanity paid \$210,000, for both.

Some need complete renovation, lead abatement, asbestos and mold removal. The house on Riverside Drive needs a new roof, replacements for the shabby floors and a new kitchen. Volunteers wielding sledgehammers and shovels got started one recent morning, pulling floors and yanking out toilets, cabinets and sinks. Black, indelible ink on the walls hinted at tough times before the residents left.

"Sometimes, one must move on, no matter how painful separation may be," reads a forlorn message in the garage.

"Let's focus on the future not the past," implores the thick scrawl on a bedroom wall.

"It's a very difficult time in a family's life. There's no way to sugarcoat it," said Janice Jensen, CEO of Habitat for Humanity East Bay. "Our emphasis is to take a sad situation for one family and make an impact going forward."

Habitat for Humanity will finance low-income buyers, but may need to sell the houses for less than the county pays to buy and rehab them, to make them affordable. So the county's \$6 million will likely drain slowly over the five-year program.

In the meantime, more foreclosures are expected to hit the market soon, Nickerson said. Another 4,800 homes were lost to foreclosure last quarter in Alameda, Contra Costa and Solano counties, according to MDA DataQuick.

"We're going to see a major tick-up in foreclosure activity, and also a major tick-up in East Bay communities buying property and beginning to get some traction on this effort," Nickerson said.

Some more than others.

Last month, HUD announced its second round of funding for the program. Alameda County and a group of cities — including Dublin, Hayward, San Leandro, Fremont, Livermore and Pleasanton — got \$11 million to buy 100 properties for low-income rental housing and redevelopment.

A Santa Clara County consortium won \$25 million for 205 houses and properties.

But HUD rejected a \$50 million bid from Contra Costa County and a consortium of cities to buy and rehab houses and help with down payments and counseling. The federal agency gave no explanation.

"When you look at the census tracts in Northern California, and even the East Bay, eastern Contra Costa had the biggest problem," Jensen said. "It's a little baffling."