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January 13, 2009

Honorable Members of the Community and Economic Development Committee
City Hall
Oakland, CA 94612

Chairperson Brunner and Members of the Committee:

Subject: *"A Report And Action To Be Taken To Cure And Correct Actions In Connection With A Gathering Of A Majority Of Members Of The Community And Economic Development Committee On September 12, 2008, Pertaining to a Presentation By The Oakland Builders Alliance On An Economic And Neighborhood Recovery Program"*

Introduction

On Friday, September 12, 2008, Councilmembers De La Fuente, Reid and Chang met in a City Council Conference Room with Carlos Plazola and Kathy Kuhner and possibly another individual. Mr. Plazola and Ms. Kuhner represented the Oakland Builders Alliance, a new organization in Oakland that includes more than 75 Oakland-based architects, engineers, contractors, subcontractors, small and medium builders, and affiliated trades and professions.

The Oakland Builders Alliance representatives made a presentation to the three Councilmembers concerning a plan to address the Oakland's housing foreclosure crisis. (A copy of the Power Point presentation is attached.)

The Brown Act and Sunshine Ordinance Require Noticing of Meetings of a Majority of the Members of a City Council's Standing Committee Regarding Items within the Standing Committee's Jurisdiction

The subject of the meeting, housing foreclosures, is within the jurisdiction of the City Council's Community Economic Development Committee. Councilmembers De La Fuente, Reid and Chang constitute a majority of the CED Committee. The Brown Act and Sunshine

Honorable Members of the Community and Economic Development Committee
January 13, 2008
Page 2

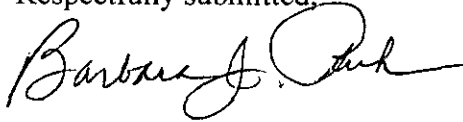
Ordinance require a noticed meeting when there is a “congregation of a majority of the members of [the committee] at the same time and place to hear, discuss, or deliberate upon any item that is within the subject matter jurisdiction of the [committee].” Government Code § 54952.2, OMC § 2.20.030(F).

Options and Recommendation

The Sunshine Ordinance provides that violations of its noticing requirements can be cured and corrected by placing the item on a subsequent CED Committee meeting agenda for separate determinations of (1) whether to cure and correct the challenged action and, if so, (2) whether to affirm or supersede the challenged action. OMC § 2.20.270(D). The public is entitled to address the Committee before the Committee takes action.

The City Attorney’s Office recommends that the Rules Committee place the item on a CED Committee agenda so that the committee may make these determinations.

Respectfully submitted,


for **JOHN A. RUSSO**
City Attorney

Attachment

Attorney Assigned:
Mark Morodomi

Oakland Economic and Neighborhood Recovery Program

a proposal by the Oakland Builders Alliance

September 12, 2008

About the OBA

1. The Oakland Builders Alliance is a new organization in Oakland made up of over 75 Oakland-based architects, engineers, contractors, subcontractors, small and medium builders, and affiliated trades and professions.
2. Aside from our interest in advocating for the interest of the building community in Oakland, we accept the responsibility that we must also contribute to finding solutions to Oakland's challenges. We accept this responsibility and this proposal is part of this.

General Program Statement:

We recognize that to gain broad support, the program goals and partners must reflect various groups and interests in Oakland.

Program Goals:

- Create 500 new home owners per year through the MAP and other programs .
- Restore stability to Oakland's neighborhoods by preventing speculative buying that leads to instability, and encourage home ownership throughout Oakland.
- Restore confidence and stability in Oakland's economy by pushing for the absorption of the excessive housing inventory, through a program that strengthens Oakland's flatland neighborhoods.

Program Specifics:

Home Ownership Program:

- To take advantage of the more than 3,000 units currently available at affordable prices (\$300,000 or less) in Oakland, create a 3 year sun-setting program that creates a pot of \$50,000,000 in local and federal funds for MAP, with a goal of 500 new homeowners a year through the MAP program.

Home Rehab Program:

- We estimate that 50% of these homes will need rehab work for various reasons. Part of the funds mentioned above would go toward rehabilitation of the housing units.

Lender Participation:

- * Lending institutions will be encouraged to market this Oakland program in their lending efforts, to create more favorable terms for the participants of the program, and to work flexibly with the Rehab Program.

Home Ownership Program Partners and Roles:

- *Non-Profit Housing Providers:* work with the city in providing training, counseling, and support services to the new home buyers for both the purchase and rehab programs.
- *City:* Exponentially increase the number of new homeowners served through the MAP program in collaboration with non-profit housing providers.
- *Banks:* Market the program and create favorable terms for the buyers.
- *OBA:* Provide free strategic and practical advice on Program.
- *Mayor's Office:* Acquire \$30,000,000 to \$60,000,000 annually from federal governments housing and rehab pot of \$4B.
- *Oakland tenants:* Become proud homeowners of affordable housing units.

Home Rehab Partners and Roles:

- *Carpenter's Union:* Administer rehab program which brings in Oakland residents, with a focus on youth and young adults, to do a significant portion of rehab work.
- *Small local contractors:* A list will be compiled of the many small local contractors available for rehab work, which will be divided between the carpenters union and the small local contractors 50/50.
- *Auditing entity:* A private company such as Builders Control that does funds auditing and disbursement would over-see program to ensure compliance and prevent fraud.
- *City:* Oversight of the entire program
- *Banks:* Flexibility and support of the program.
- *Oakland renters:* Become proud homeowners of currently dilapidated properties.

Why is this necessary? Kathy Kuhner

Explaining the housing crisis:

Crisis at the national level:

- Weakening financial Institutions and systems
- Collapse of the housing crisis
- Tightening of Credit
- Preventing foreclosures nearly impossible because no one takes responsibility for the debt.

Crisis at the Local Level: Why has Oakland been hit so hard?

- Oakland ranks 8th nationally in number of foreclosures.
- Oakland encouraged residential development and then the bottom fell out, leaving extreme over-supply of inventory.
- Perceived or real crime problems, coupled with the lack of an economic recovery plan, have reduced values.
- Subprime loans were targeted at flatland residents and foreclosures will continue to increase.

What happens if we don't act?

Potential for neighborhood crime and blight:

- For sale housing units will be purchased by absentee landlords as investment properties and increase the ratio of renters to homeowners in our flatland neighborhoods.
- Blight will increase as a result.
- The opportunity to create the most expansive affordable homeownership drive in Oakland's history will have vanished.

Loss of investor confidence in Oakland

- The investment community is watching to see how Oakland will respond to the crisis that has negatively affected many investors who took a chance on Oakland in the last decade.
- If we don't respond effectively, it will be evidence to the investment community that Oakland is a high-risk investment, and will curtail investment for years to come.
- The "recovery curve" will be flat for many, many years, particularly hitting our flatland neighborhood's hardest and stifling retail development in many areas.

Toward Finding Solutions

The Oakland Builders Alliance is committed to the economic and revenue growth in Oakland. We are committed to improving the quality of life in Oakland for all residents. We are volunteering many hours on this program because we care about Oakland, and expect nothing in return.

The following program was drafted by the OBA's *Housing Crisis Committee* made up of the following members:

- Kathy Kuhner; Dogtown Development
- Matt Novack Dogtown Development
- Adam Howard; Bank of Alameda
- Shauna O'Connor; Bank of America
- Andy Read; Caldecott Properties
- Carlos Plazola; Terra Linda Development
- Joe DeCredico; GDeS Architecture and Planning

General Elements of the Program

1. Amend, and increase funding for, the existing Mortgage Assistance Program to provide for as many as 1,000 to 2,000 new home loans in the next 2 years.
2. Institute the Oakland Home Renewal Program which would work in concert with the amended Oakland Mortgage Assistance program and provide a funding source and a mechanism which would allow homebuyers to purchase homes which are not habitable and make necessary repairs to them.
3. Work with the major institutional lenders to develop an aggressive marketing plan to inform potential homebuyers of Oakland's assets, and to provide special terms for participants of the program.

Changes to the MAP:

- Allow any owner occupied home buyer to qualify, but encourage Oakland tenants to apply.
- Raise the AMI to 120%
- Allow for borrower to also borrow funds for rehab program.
- Shift dollars from construction of new affordable housing to MAP program to encourage purchasing of existing market-created affordable housing.
- Encourage police and fire personnel and teachers to apply for the home ownership program

Home Rehabilitation Program

- The intent of the program is to allow homes that need rehabilitation to be purchased under this program since many of the homes in the Oakland flatlands will need rehabilitation.
- This program encourages using the rehab as an opportunity to create union apprenticeships, and to use small, local contractors.
- The loan amount would not exceed \$75,000.
- The proceeds of the loan would be limited to repairs to the home as indicated on the City's list of Approved Repairs.
- The companies and individuals hired by the homeowner should be City of Oakland businesses and the materials used in the rehabilitation should be from suppliers located within the City of Oakland. All of these businesses and suppliers would be included on the City of Oakland Contractors, Suppliers and Professionals list attached to the Oakland Home Renewal Program of 2008.
- Contracts for work, supervision of work and draw requests would be done by a reputable private, third party construction auditing firm such as Builders Control based in Oakland, according to the standard practices of such a firm

The Role of the Lenders:

- Market the Oakland MAP home ownership program to potential homebuyers.
- Create more flexible terms to borrowers participating in the Oakland home ownership program.
- Advise on the program to ensure its success.