

CITY OF OAKLAND
COUNCILMEMBER REPORT

To: Members of Community and Economic Development (CED) Committee
From: Council President De La Fuente and Councilmembers Brooks and Chang
Date: November 28, 2006 CED Committee
Recommendation: **ADOPT AN ORDINANCE TO IMPLEMENT
THE "AFFORDABLE HOMES FOR OAKLANDERS PLAN" BY:**

AMENDING O.M.C. CHAPTER 16.36 (CONDOMINIUM CONVERSION) TO DO THE FOLLOWING: PERMIT OWNERS OF RESIDENTIAL PROPERTY TO PAY FEES FOR A HOUSING TRUST FUND IN-LIEU OF PROVIDING CONVERSION RIGHTS FOR THE CONVERSION TO HOMEOWNER CONDOMINIUMS; REQUIRE PURCHASE PRICE DISCOUNTS AND CLOSING COST ASSISTANCE FOR TENANTS PURCHASING THEIR UNITS; INCREASE RELOCATION ASSISTANCE TO TENANTS WHO DO NOT PURCHASE THEIR UNITS; ESTABLISH A LIMIT OF 800 CONVERTED UNITS PER YEAR; AND REQUIRE AN ANNUAL REPORT.

We are pleased to introduce proposed ordinance that we believe will significantly increase our city's historically low homeownership rate and generate millions of dollars to create affordable housing opportunities for Oakland residents. Specifically, we propose to amend Chapter 16.36 of the Oakland Municipal Code (OMC) which will be entitled "Conversions to Homeowner Condominiums."

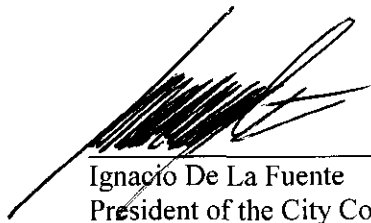
The proposed ordinance reflects the amendments listed in our Supplemental Report for the Community and Economic Development (CED) Committee meeting held on November 14, 2006 as well as some technical amendments suggested by the City Attorney's Office. We believe those amendments strengthen our original proposal and address the key issues raised at the public meetings held by our City Planning Commission on October 18 and November 1, 2006. We continue to gather public input.

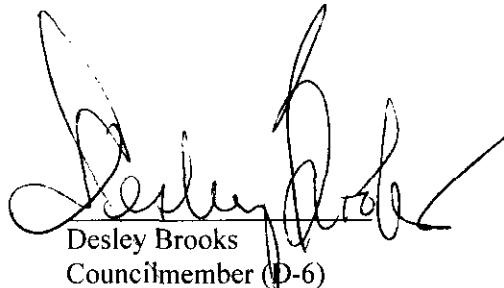
We introduced our "Affordable Homesfor Oaklanders Plan" (A.H.O.P.) because we believe it is important to enable more Oakland renters to become homeowners. It is already the official policy of the City of Oakland to increase homeownership (as stated in City Council Resolutions, the Consolidated Plan provided to the U.S. Department of Housing and Urban Development, and the Housing Element of our City's General Plan). Yet only 41% of Oakland households own their home compared to 55% for Alameda County, 57% for California, and 67% for the nation (according to the 2000 Census). This is the same very low homeownership rate from 1990 -- which means the City's *existing* efforts have failed to increase the rate.

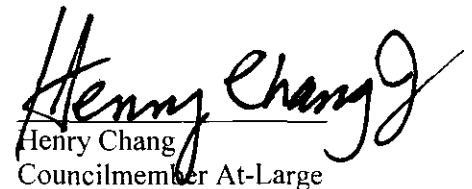
RECOMMENDATION:

We recommend that the City Council adopt this ordinance to amend the Oakland Municipal Code.

Thank you for your consideration.


Ignacio De La Fuente
President of the City Council


Desley Brooks
Councilmember (D-6)


Henry Chang
Councilmember At-Large

Report prepared by: Alex Pedersen, Office of the City Council President

Attachments: Our proposed changes to the Oakland Municipal Code in a "red-lined format" showing additions/deletions
Revised Power Point presentation providing an overview of our proposal.



CITY OF OAKLAND

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_____ The Staff Report was not available in time for inclusion as backup material and will be included elsewhere in the agenda.

_____ This report was distributed previously. A copy is available in the City Clerk's Office.

_____ Attachments to this report are available in the City Clerk's Office for review.

_____ This is an Oral Report (No written material submitted).

_____ The item(s) will be distributed at the meeting.

_____ No written material submitted.

_____ This item sets a Public Hearing. Written material will be provided at the time of the hearing.

_____ This item was prepared on motion (No written material submitted).

_____ Agenda item(s) not used.

_____ This item was printed separately and will be included elsewhere in the agenda.

_____ Material will be provided in Supplemental Agenda Packet

X Other: THE LEGISLATION FOR THIS ITEM IS INCLUDED ELSE WHERE IN THE PACKET.

LATONDA SIMMONS
City Clerk and
Clerk of the City Council

Item 14

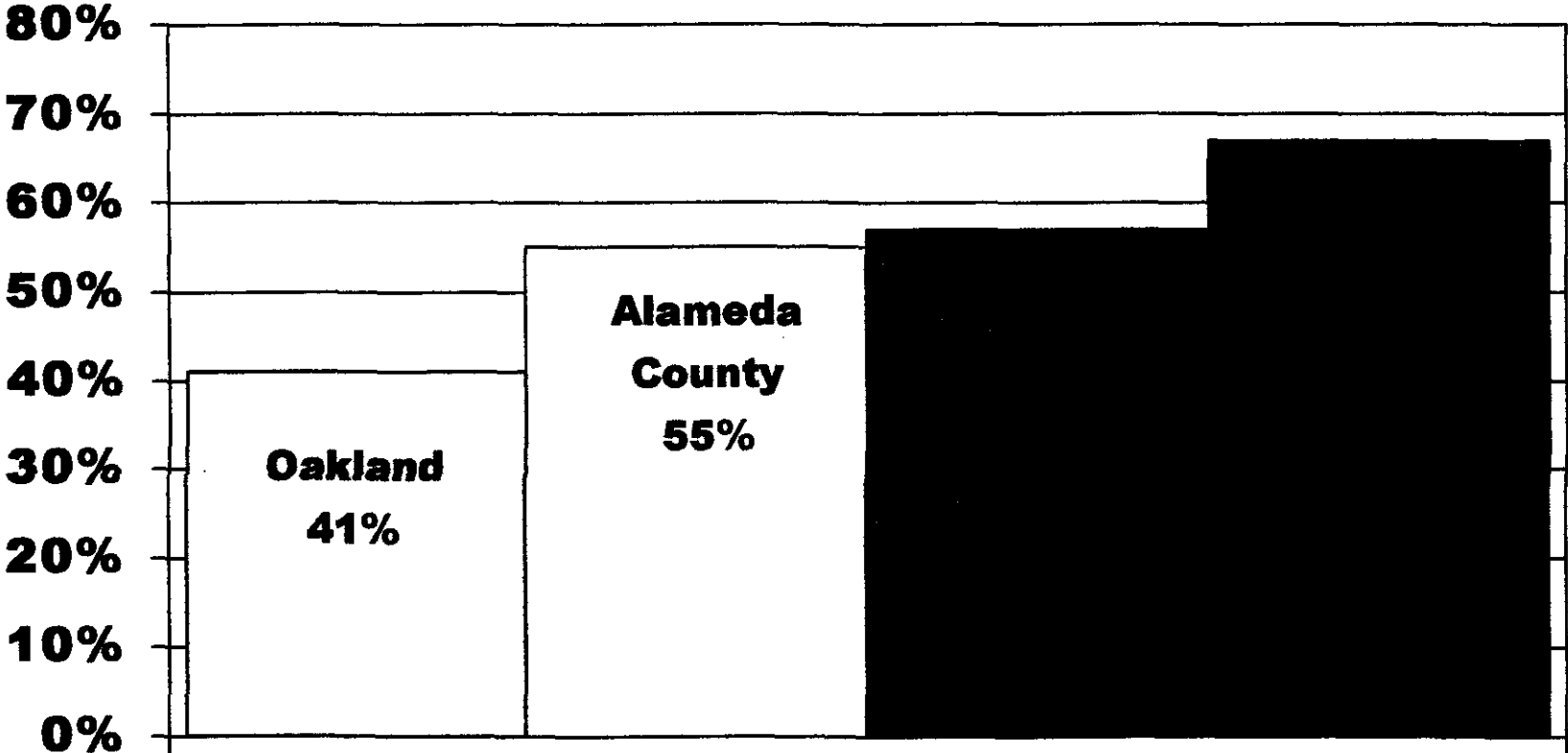
Date 11-28-06



**AN INTRODUCTION TO THE
*AFFORDABLE HOMES FOR
OAKLANDERS PLAN (A.H.O.P.)***

**Sponsored by Council Members
De La Fuente, Brooks and Chang**

Oakland's Homeownership Rate is Exceptionally Low



2000 Homeownership Rate

Why Does the Homeownership Rate Matter?

Homeownership creates financial security for families.

Homeownership benefits public schools and neighborhoods.

Our Vision

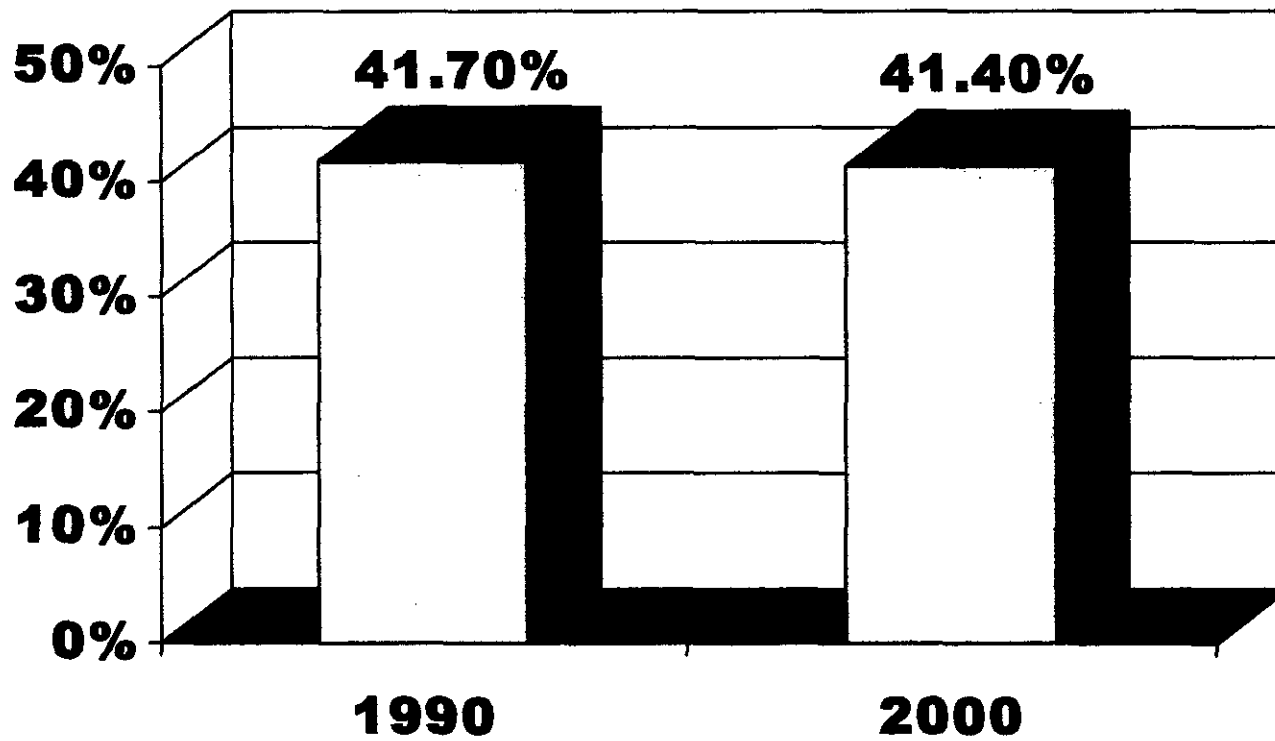
Reaching 50% Homeownership:

*Thousands of Oakland Renters
Can Become Homeowners*

The City's Existing Tools To Encourage Homeownership:

- ✓ Downpayment assistance
- ✓ Homebuyer financial education
- ✓ Low-Interest loans for new construction

Existing Tools Have Not Increased Homeownership Rate



Oakland Homeownership Rate

Source: 1990 and 2000 U.S. Census. More recent accurate figures are not available.

Increasing Homeownership is the City of Oakland's Policy

City of Oakland Housing Policy (1993 Council Resolution)

“The City of Oakland will encourage homeownership to the fullest extent feasible.”

Housing Element of City's General Plan (2004)

“The City might consider modifications to the Condominium Conversion Ordinance to provide more opportunities for affordable home ownership, especially to allow existing tenants to purchase their rental units.”

Consolidated Plan for Housing and Community Development Strategies (2005)

“Expansion of the Supply of Affordable Ownership Housing”

“Expansion of Ownership Opportunities for First Time Homebuyers”

Another Tool is Needed to Ensure More Oakland Renters Become Homeowners

- ✓ Downpayment assistance
- ✓ Homebuyer financial education
- ✓ Low-Interest loans for new construction
- ✓ ***Affordable Homes for Oaklanders Plan:
Converting Rental Units to Homeownership***

Shortcomings of Existing Ordinance (O.M.C. Chapter 16.36 Adopted in 1981)

Currently, building owners pay fees to other developers (“conversion rights”) – this creates no money for affordable housing.

Currently, most small buildings (4-units or less) are not required to acquire “conversion rights”.

Currently, there is no limit on the number of conversions.

Currently, tenants get no discount to buy their units.

Affordable Homes for Oaklanders Plan
Will Improve Existing Ordinance By:

1. Limiting Conversions
2. Increasing Tenant Benefits
3. Generating Funds for Affordable Housing
4. Requiring an Annual Study and Report

Affordable Homes for Oaklanders Plan: **1) Limiting The Conversions**

The number of conversions has been increasing each year in Oakland.

A.H.O.P will limit annual conversions in Oakland for the first time.

Affordable Homes for Oaklanders Plan:
2) Increasing Tenant Benefits

Tenants will get a significant discount to buy their unit.

Tenants who do not purchase will receive cash equal to 6 months of rent.

Seniors over age 62 will continue to get lifetime leases.

Tenants will get free homebuyer education.

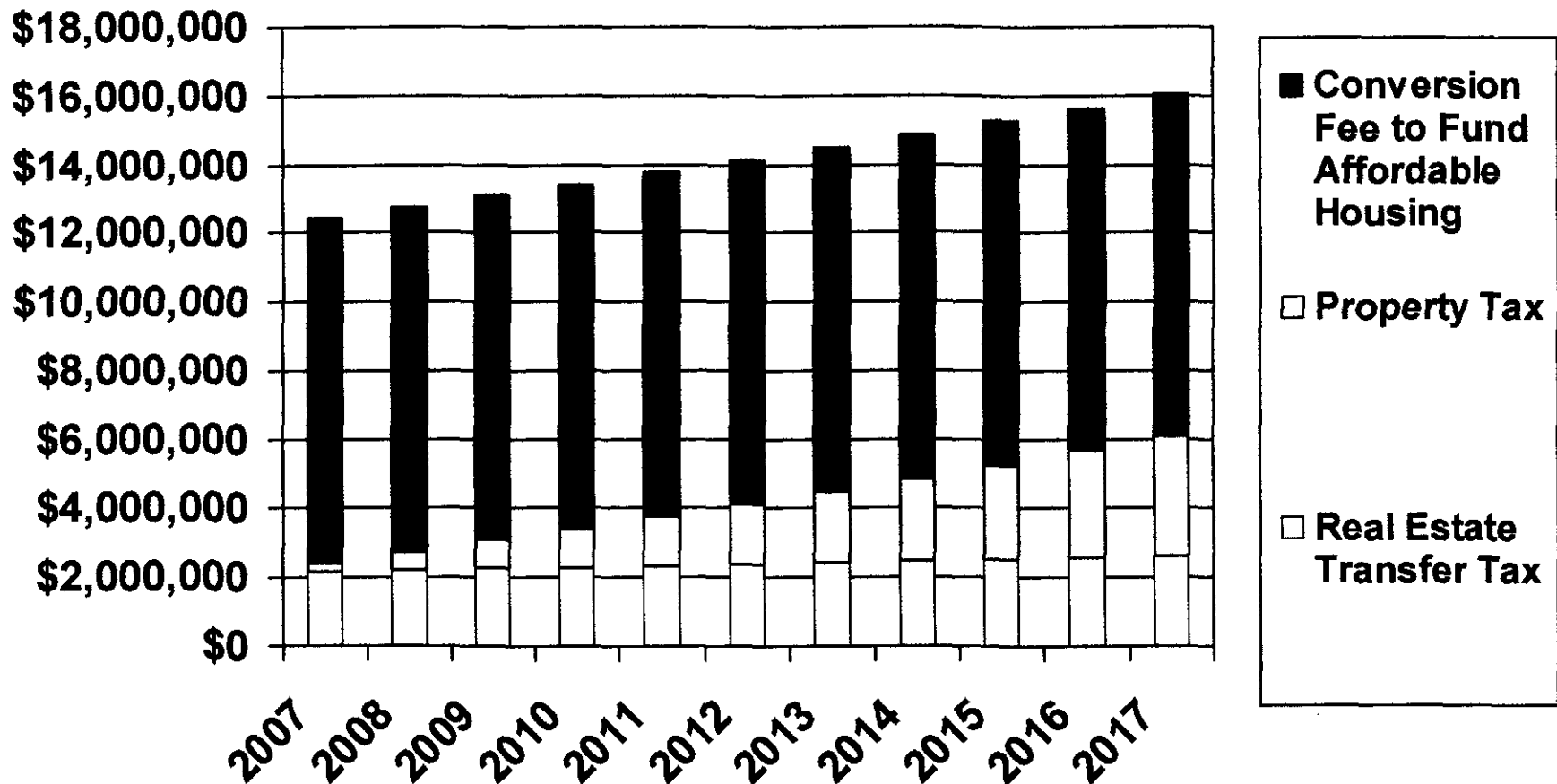
Affordable Homes for Oaklanders Plan: **3) Generating Affordable Housing Funds**

Generates millions of dollars every year for a new Affordable Housing Trust Fund

Building owner would pay \$12,500 per unit on average (this is \$3,000 per *room* in “impact area”, \$2,000 elsewhere).

Funds will increase downpayment assistance and construction/renovation of affordable housing for Oaklanders.

Revenues Will Grow Each Year for Affordable Housing and City Services



In 2006 dollars. Assumes conservative average sale price of \$300,000.

Affordable Homes for Oaklanders Plan:
4) Requiring an Annual Study/Report

Annual Report to Council to determine:

Increase in City's homeownership rate

Number and location of conversions

Number of tenants who buy their units

Funds generated and how they are allocated by the City for affordable housing

The report will provide opportunities to make additional improvements to the ordinance.

How Could *Affordable Homes for Oaklanders Plan* Benefit Our City?

Enable thousands of Oaklanders to become homeowners.

Double annual dollars for affordable housing

Create opportunities to own a home in neighborhoods throughout Oakland.

Create supply of more affordable homes for Oakland's workforce.

Public Process With Many Opportunities For Discussion

Planning Commission Meetings
City Council Committee Meetings
Full City Council Meetings

This process started 3 years ago
(January 2004) when the Planning
Commission considered an update to the
1980's ordinance.

**Reponses to Key Concerns Raised
at October 18 and November 1
Planning Commission Meetings**

99% of Oakland's Renter Households Would Not Be Affected By Conversion

This homeownership proposal would impact less than 1% of the City's 88,000 rental units annually.

Over 26,929 rental units in Oakland are ineligible for conversion:

- 3,308 Oakland Housing Authority (OHA) housing units (low-income)

- 496 Section 8 mod-rehab units (low-income)

- 6,690 Privately-owned assisted housing (low-income)

- 16,132 Single family homes that are rented (many low-income)

- Thousands of additional units receiving City or Federal subsidies.
(low-income)

Of the 1% potentially affected...

- many will become homeowners.

- all households with seniors are eligible for lifetime leases for their unit.

- 10,871 low-income Oakland households receive Section 8 vouchers to pay fair market rents.

Amendments Proposed in Response to Key Concerns at Planning Commission

Existing Law	Sept.28 Proposal	Amended Proposal
No annual conversion cap	1,500 annual conversion cap	800 annual conversion cap
No required discount for tenants to purchase unit	5% required discount to tenants to purchase unit	10% required discount to tenants to purchase unit
No required closing cost assistance	No required closing cost assistance	Building owner pays certain closing costs up to \$15,000
Building owners pay developers – no funds for affordable housing	New Conversion Fee option paid to new Affordable Housing Trust Fund for Oakland residents	New Conversion Fee will increase each year with inflation
Small building (2-4 units) exempt from requirement to buy conversion rights	Small buildings required to pay new conversion fee	Small buildings, outside Impact Area, exempt from fee and closing costs before July 1, 2008

33,000 Oakland Renters Can Afford to Become Homeowners

33,000 Oakland renter households make at least \$50,000 – the income needed to own a \$300,000 home with the new 10% discount.

Thousands more Oakland renters can buy using:

New Affordable Housing Trust Fund

City Mortgage Assistance Program – \$75,000

American Dream Downpayment – 6% of purchase price

California HFA Programs – approximately \$30,000

Barbara Lee's new W.O.W. Program - \$100,000

Individual Development Accounts and other savings

Assumptions: 30-year fixed rate Cal HFA mortgage at 5.0%, 3% downpayment, \$225/mo HOA fees, 1.3% property taxes, mortgage Insurance at 0.86%, 40% income spent on housing, 10% tenant discount. Incomes from 2000 U.S. Census, adjusted according to Dept. of Labor Bureau of Labor Statistics Employment Cost Index. Oakland household Incomes likely higher than reported in Census.

Homeownership Can Be More Affordable Than Renting

Home Sales Price	\$300,000	\$375,000
AHOP 10% Tenant Discount	\$30,000	\$37,500
City, State and/or Federal Assistance	\$123,500	\$123,500
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Mortgage Payment	\$738/mo	\$1,088/mo
Property Tax	\$325/mo	\$406/mo
HOA Dues (incl. homeowners insurance)	\$225/mo	\$225/mo
Income Tax Savings (from Deductions)	-\$266/mo	-\$374/mo
Net Monthly Cost	\$1022/mo	\$1,345/mo

Average Market Rent in City of Oakland

\$1,339/mo

Assumptions: 30-year fixed rate Cal HFA mortgage at 5.0% rate, 3% downpayment, \$225/mo. HOA fees, 1.3% property taxes, 10% discount on unit, assistance from City and State. For a household earning \$50,280 (60% AMI for a 4-person household) \$1022 is only 24.4% of this household's monthly income and \$1,345 is 32.1%. Avg. Rent from 3rd Quarter 2006 in Oakland. RealFacts, Inc.



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End of Presentation