

CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2005 FEB 23 AM 11:36

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: February 22, 2005

RE: A RESOLUTION MODIFYING THE MORTGAGE ASSISTANCE PROGRAM (MAP) GUIDELINES FOR FIRST-TIME HOMEBUYERS TO INCREASE THE MAXIMUM ALLOWABLE PURCHASE PRICE LIMIT FROM THE CURRENT \$320,000 TO AN AMOUNT EQUAL TO AN AFFORDABLE SALES PRICE FOR HOUSEHOLDS AT 80% OF AREA MEDIAN INCOME

SUMMARY

A resolution has been prepared authorizing modifications to the Mortgage Assistance Program (MAP) guidelines for first-time homebuyers to increase the maximum allowable purchase price limit from the current \$320,000 to an amount equal to an affordable sales price for 80% area median income household buyers. Due to increases in home prices, staff is now holding requests from buyers at or below 80% of area median income who have qualified to purchase homes above the maximum allowable price of \$320,000. This ceiling was established four years ago and does not reflect recent increases to home prices, prevailing interest rates or increases to income. In order to provide for flexibility in establishing a new maximum today and into the future, staff is requesting the limit be tied to a maximum sales price, based on family size, that 80% area median income households can qualify for. The proposed modification will allow the program to provide assistance to more households.

This resolution authorizes staff to:

- Increase the maximum allowable purchase price limit from the current \$320,000 to an amount equal to an affordable sales price for 80% area median income household buyers; and
- Adjust the maximum allowable purchase price in the future based on changes to 80% area median income limits.

FISCAL IMPACT

This program change does not impact the budget; no change is being proposed to the maximum loan amount or the annual allocation.

Item: _____
CED Committee
March 8, 2005

We will continue to fund loans within the amounts allocated for the program. The program is currently funded by annual allocations from the Redevelopment Agency Low and Moderate Income Housing funds.

BACKGROUND

The 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 historically had been underserved by major commercial lenders and the real estate community.

The Mortgage Assistance Program operates jointly with participating lenders to assist lower-income, first-time homebuyers to purchase homes in the City of Oakland. The Program provides a secured loan of up to \$50,000 for qualifying homebuyers. Repayment is deferred while the homebuyer lives in the home. The loan becomes due when the borrower sells, transfers, refinances the property, or converts the home to rental property. Three percent (3%) simple interest plus principal is due upon sale, transfer or refinance of the home.

The Council approved Resolution No. 76302 C.M.S. February 27, 2001, authorizing modifications to the program guidelines for the First-time Homebuyer Mortgage Assistance Program that, with other changes, increased the purchase price limit to \$320,000.

Housing prices have been on the rise for the last few years. They have soared in California and housing prices in the East Bay are among the nation's highest. It has been difficult to find even modest single family homes within the sales price limits as sales prices for single-family homes in Oakland have increased at double-digit rates during the last few years. Property values for many low-income homeowners are above the current \$320,000 limit. Increasing the limit reflects what is currently available for buyers who are at or below 80% of area median income.

KEY ISSUES AND IMPACTS

Prospective homebuyers who succeed in locating a home that is affordable and meet other eligibility criteria may not be able to obtain the City's financial assistance to purchase the maximum home that they qualify for because of the maximum purchase price limit. The current \$320,000 maximum purchase price limit under the Mortgage Assistance Program for first-time homebuyers is lower than the lowest selling price of most new developments.

An analysis of the median sales prices for single family homes, condominiums, duplexes, triplexes and fourplexes in Oakland for the three-month period from August – October 2004, is listed below.

Property Type	Number of Sales	Median Sales Price
Single-Family Home	1,021	\$420,000
Condominium	95	\$338,000
Duplex	103	\$435,000
Triplex	35	\$495,000
Fourplex	51	\$611,500

Information on purchase price limits for surrounding jurisdictions is listed below. Purchase price limits for these cities range from \$342,100 to \$620,000. Also listed is the amount of homebuyer assistance these communities provide based on area median income. Berkeley discontinued their program that had provided \$20,000 to qualified buyers due to the increases to property values.

City	Maximum Purchase Price Limit	Income Limit (% of Median)	Maximum Loan Amount
Alameda	\$532,000+	up to 80% 80% - 120%	\$50,000 \$35,000
Berkeley	No program		
Emeryville	From Studio @ \$342,100 To 4 BDRMs @ \$514,300	120%	1.5X Downpayment to 15% of purchase price
Fremont	No limit	120%	\$40,000
Hayward	\$400,000	120%	\$20,000
Livermore	Lender Qualification	80% 120%	\$60,000 \$40,000
Pleasanton	Lender Qualification	80% 80% - 120%	\$60,000 \$40,000
Richmond	No program for borrowers		
San Francisco	Based on household size 1 bdrm = \$360,000 4 bdrm = 620,000	100%	\$100,000
San Jose (several programs)	\$450,000 - 550,000	up to 150%	\$6,500 - \$80,000
San Leandro	Maximum price that's affordable @ 35% of gross income	120%	\$20,000

PROGRAM DESCRIPTION

The Mortgage Assistance Program operates jointly with participating lenders to assist first-time homebuyers at or below 80% of area median income to purchase homes in the City of Oakland. The U.S. Department of Housing and Urban Development publishes income figures annually. Median income amounts for household size ranging from 1-7 persons for 2004 are listed below:

Maximum Allowable Household Income 80% Median Income

Household Size	Income	Household Size	Income
1 Person	\$46,350	5 People	\$71,550
2 People	\$53,000	6 People	\$76,860
3 People	\$59,600	7 People	\$82,150
4 People	\$66,250	8 People	\$87,450

The Program provides a secured loan of up to \$50,000 for qualified homebuyers. The majority of the City's mortgage assistance loans also leverage assistance from the State of California Housing Finance Agency (CalHFA). As a result, a 4-person household @ 80% of area median income using CalHFA assistance and the City's \$50,000 MAP loan can qualify to purchase a \$400,000 home.

To that end, increasing the \$320,000 purchase price limit and tying it to an amount equal to an affordable sales price for 80% area median income household buyers would allow the City to adapt its program to changes in market conditions such as home prices and interest rates, etc. and assist additional families.

SUSTAINABLE OPPORTUNITIES

Economic: Homeownership provides long term opportunities to build equity. Moreover, homeowners tend to invest in continuous improvements and maintenance of their properties.

Environmental: There are no direct environmental opportunities.

Social Equity: Homeownership improves the climate of the neighborhood by providing a sense of pride that may also result in fewer blighted buildings and lots. Homeowners tend to participate in the community in which they have put down roots, contributing to the stability and well-being of those neighborhoods.

DISABILITY AND SENIOR CITIZEN ACCESS

There is no direct impact on senior citizens because this is a program for first-time homebuyers. Seniors and persons with disabilities are eligible for the MAP program. The City offers programs that assist disabled homeowners to make accessibility modifications and assist seniors to rehabilitate their homes. Housing Development works with developers to insure that the required units for persons with disabilities are constructed to code and that new development projects are marketed to people with disabilities.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City adopt the attached resolution. The changes will assist the City to further implement the goal of providing homeownership opportunities to the citizens of Oakland. Staff recommends that the resolution be approved.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the Council approve the resolution to modify the program guidelines for the Mortgage Assistance Program (MAP) for first-time homebuyers to increase the maximum allowable purchase price to an amount equal to an affordable sales price for 80% of area median income household buyers and provide authority to modify the amount administratively based on income and market conditions.

Respectfully submitted,



DANIEL VANDERPRIEM

Director of Redevelopment, Economic
Development and Housing and Community
Development

Reviewed by:

Sean Rogan, Deputy Director

Housing and Community Development Division

Prepared by:

Jackie Campbell, Homeownership Programs

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE


OFFICE OF THE CITY ADMINISTRATOR

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DEPUTY CITY ATTORNEY
OFFICE OF THE CITY CLERK
OAKLAND

OAKLAND CITY COUNCIL

2005 FEB 23 AM 11:36

RESOLUTION No. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

A RESOLUTION MODIFYING THE PROGRAM GUIDELINES FOR THE MORTGAGE ASSISTANCE PROGRAM FOR FIRST-TIME HOMEBUYERS TO INCREASE THE MAXIMUM ALLOWABLE PURCHASE PRICE LIMIT FROM THE CURRENT \$320,000 TO AN AMOUNT EQUAL TO AN AFFORDABLE SALES PRICE FOR HOUSEHOLDS AT 80% OF AREA MEDIAN INCOME

WHEREAS, the Mortgage Assistance Program (MAP) for first-time homebuyers assists 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, Resolution No. 76302 C.M.S. authorizing modifications to the program guidelines for the MAP that, among other things, increased the purchase price limit to \$320,000; and

WHEREAS, changes in the Oakland housing market have limited the range of households the program can serve; and

WHEREAS, the City wishes to modify the program and increase the maximum purchase price limit to be more effective in the current housing market by providing access to home mortgage loan assistance to more households; and

WHEREAS, the City wishes to adapt to changes in market prices and conditions and provide authority to modify the purchase price limit administratively to meet the needs of homebuyers; now, therefore, be it

RESOLVED: That the City Council hereby approves a modification to the program guidelines for the Mortgage Assistance Program to increase the current purchase price limit from \$320,000 to an amount equal to an affordable sales price for households at 80% of area median income; and be it further

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

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST:

LATONDA SIMMONS
Interim City Clerk and Clerk of the Council
of the City of Oakland, California