



CITY OF OAKLAND

AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Emily Weinstein
Director, Department of
Housing & Community
Development

SUBJECT: Middle Income JPA Bond Financing
Program

DATE: September 10, 2025

City Administrator Approval


Jestin Johnson (Sep 25, 2025 19:59:47 PDT)

Date: Sep 25, 2025

RECOMMENDATION

ADOPT AN ORDINANCE ESTABLISHING A MIDDLE INCOME JOINT POWERS AUTHORITY BOND FINANCING PROGRAM FOR THE PURPOSE OF FINANCING THE ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF OAKLAND MIDDLE INCOME HOUSING PROJECTS; AUTHORIZING THE CITY ADMINISTRATOR TO JOIN JOINT POWERS AUTHORITIES, ENTER INTO JOINT EXERCISE OF POWERS AGREEMENTS AND OTHER AGREEMENTS WITH MUNICIPAL FINANCE AGENCIES UNDER THE PROGRAM, AND APPROVE THE ISSUANCE OF REVENUE BONDS BY SAID AGENCIES FOR OAKLAND PROJECTS IDENTIFIED BY THE CITY ADMINISTRATOR, WITHOUT RETURNING TO CITY COUNCIL; AND MAKING RELATED CEQA FINDINGS

EXECUTIVE SUMMARY

Over the past five years, more than 14,000 new homes were completed in the City of Oakland (City). While many of these were originally intended as high-end, luxury housing, the simultaneous completion of so many homes forced many projects to significantly discount their rents to attract tenants. As a result, many of these homes became accessible for middle-income Oakland households earning between \$75,000 and \$125,000/year. While the influx of new homes has depressed market-rate rent growth over the past few years, market-rate housing project completions are beginning to drop off. As a result, Oakland's market rents are widely expected to increase in future years. Absent intervention, rising rents may cause many of these recently completed homes to no longer be affordable to middle-income renters.

This proposed ordinance would authorize City staff to establish a new financing program, the Middle Income Joint Powers Authority Bond Financing Program (JPA Bond Program), to place long-term affordability restrictions on recently built homes. Under this model, a project sponsor, typically a local developer, would identify a market-rate building available for purchase. The City would then partner with one or more existing statewide joint power authorities that specialize in

Community & Economic Development Committee
September 30, 2025

debt issuance. After the proposed acquisition is approved by City staff, the statewide joint power authority would have a subsidiary joint power authority purchase the target apartment building. The acquisition would be 100% financed by bonds issued by the statewide joint power authority, and the bonds would be paid off over a 30-40 year period by the building rents. **These bonds are not issued by the City, do not use the City's credit rating, and the City is not responsible for repayment in any circumstance.** The project sponsor typically manages the asset after acquisition, though the joint power authority that owns the building can replace the asset manager if necessary. The City has no meaningful role or control over property operations after acquisition. In Oakland's proposed version of the program, building rents would be restricted to no more than 80% of Area Median Income (AMI) during the duration of the bond pay-back period. Once the bonds are paid off, the property is transferred at no cost to an affordable housing organization of the City's choice.

The one significant cost associated with this program is that, as a government-owned property, a project acquired under this program would no longer be responsible for paying property taxes and taxes on rental income. Due to this lost revenue, staff propose to initially limit this new program to the lesser of 600 total units or six projects. Staff estimate that if the maximum 600 units are acquired under this authority, initial lost taxes to the City would be around \$960,000, including dedicated parcel taxes. Other taxing agencies (primarily Alameda County and the Oakland Unified School District) would lose up to \$1.32 million/year in additional revenue. The City's proposed program (see guidelines in **Attachment A**) applies a cost-benefit test to ensure that the rent savings to tenants outweighs the lost taxes to public agencies. This cost-benefit test takes a conservative approach and does not consider the potential future value generated by transferring the building to an affordable housing organization at the end of the bond repayment term. The test instead balances the proposed lost taxes to the long-term public benefit of rent restricted units to low to moderate income households and the value of taking a property off of the speculative market.

BACKGROUND / LEGISLATIVE HISTORY

Workforce Housing JPA Bond Deals in California

The proposed JPA Bond Program uses a financing structure that was first developed in California around 2019 and has thus far been used for around 40 projects across California. Although there are some promising features to the JPA bond deal model that make it attractive, there are also serious issues with past projects, discussed below, that demonstrate why Oakland staff have approached this model with extreme caution.

Although the City issues its own municipal bonds, many smaller cities and special districts lack the specialized capacity to conduct similar bond issuances. Instead, these communities participate in a statewide joint power authority that specializes in bond issuance and offers bond issuance services on a fee-for-service basis. The two primary joint power authorities that offer

bond issuance services in California are the California Municipal Finance Authority¹ (CMFA) and the California Statewide Communities Development Authority² (CSCDA). In addition to issuing bonds for municipalities, CMFA and CSCDA also issue tax-exempt private activity bonds for affordable housing projects that receive Low-Income Housing Tax Credits and a variety of other tax-exempt bonds. These statewide joint power authorities involve no administrative involvement or liability for their member agencies. This differs from some joint power authorities the City is a member of, such as the Oakland - Alameda County Coliseum Authority, where the City appoints members to the board of the authority.

Under state and federal law, government agencies can issue tax-exempt bonds for a variety of facilities, including affordable housing that serve public purposes³. The JPA bond model was pioneered by a group of municipal bond experts associated with a newly formed joint power authority, the California Community Housing Agency (CalCHA)⁴. In this new JPA bond model, tax-exempt municipal debt covers the full cost of acquisition of an existing building. In this case, a subsidiary of the joint power authority serves as the borrower of record and owns the building until the bonds are paid off by project rents. When the bonds are paid off, the property is transferred to the host city. The host city can then decide to either keep the building as affordable housing or (according to model proponents) sell the property⁵. As described in **Table 1**, JPA bond model transactions are significantly different from conventional affordable housing and do not compete for resources with traditional affordable housing tax-exempt bonds. CMFA and CSCDA launched similar JPA bond model programs shortly after CalCHA's program launched and today these three agencies serve as the main issuers for JPA bond model transactions. Other agencies, such as the Bay Area Housing Finance Agency, may also issue bonds under the JPA bond model in future.

Table 1: Private Activity Bonds vs JPA Bond Model

Type of bond	Private Activity Bond	JPA Bond Model
Purpose	Majority of all affordable housing construction projects, and sometimes as a resource to rehabilitate existing affordable housing.	Acquiring market-rate buildings and converting them to middle income or "workforce" housing. Can be used for new construction but unclear if that has ever actually happened before.

¹ <https://www.cmfa-ca.com/>

² <https://cscda.org/>

³ https://turnercenter.berkeley.edu/wp-content/uploads/2022/06/SPUR_The_ABCs_of_JPAs.pdf

⁴ <https://www.forbes.com/sites/schiffrin/2021/12/02/california-scheming-municipal-bonds-workforce-housing-crisis-luxury-apartments/?sh=4a45f1f03001>

⁵ Despite the claims some model advocates make that cities could generate a profit from selling the project at the point of bond payoff, Oakland staff have unresolved tax liability related concerns with such a sale and recommend the City instead plan to transfer the building to an affordable housing organization at a nominal or zero cost.

Do they unlock Low-Income Housing Tax Credits?	Yes	No
Are they limited on a statewide basis and awarded via a statewide competition?	Yes	No
How much of project cost do they usually cover?	Up to 30% of construction financing, sometimes less as a permanent financing source. The tax credit equity unlocked by the Low Income Housing Tax Credits is a major additional funding source.	100% of acquisition cost
Exempt from local taxes?	Yes, using the Welfare Tax Exemption	Yes, using the exemption for government owned property.
Does it affect the City's credit rating?	No	No
Is the City liable for repayment?	No	No

Roles, Responsibilities, and Liabilities

JPA bond deals are orchestrated by third-party entities, typically developers, who identify a property available for purchase, identify if the rents can support the debt service necessary to acquire the property, and then identify a joint power authority that can handle the bond issuance itself. Project sponsors are compensated with a fixed fee and sometimes by payments from subordinate bonds issued on a project. This subordinate bond is known as a "B bond."

Although a subsidiary of the joint power authority is the owner of record, oversight of the property is generally delegated to the project sponsor as the "asset manager." The asset manager hires the property management firm for the property and is responsible to the joint power authority for the financial performance of the project. The joint power authority owner can- and on occasion has- replaced the original project sponsor in a deal with a different asset manager if the project underperforms financially or if the project sponsor mismanages the property.

Although the JPA bond model can be used to fund new construction of housing or acquisition of older existing housing, the overwhelming majority of JPA bond deals have thus far focused on acquiring recently built market-rate housing⁶. Such housing tends to be in good physical condition and is attractive to tenants. Most past JPA bond deals have applied a mixed

⁶ The JPA bond model is typically a poor fit for new construction. The per unit cost of construction generally exceeds the amount of bonds that future rents can support. If a project was built under the JPA bond model, it would be subject to prevailing wage requirements.

affordability restriction to acquired properties- one third of units affordable at 80% AMI, one third affordable at 100% AMI, and one third affordable at 120% AMI. Tenants who are over income are not forced to leave and are instead replaced with eligible tenants once units naturally turn over. Unlike these examples, Oakland's program aims to cap rent restrictions at 80% AMI. The initial wave of JPA bond deals uncovered several issues with this model. First, many market-rate buildings were acquired at severely inflated prices that required excessive debt service to pay off⁷. This issue was compounded by generous sponsor fees that further increased the project's debt load. Second, the "affordable" rents at 100% and 120% of AMI were often at or above the current market rent for comparable units⁸. This led to significant vacancy challenges for these projects and indicated that the host city was providing no meaningful rent savings to tenants in those units in exchange for the forfeited property taxes. Many projects had low debt service coverage ratios and assumed that rents in California would experience a strong- and uninterrupted- upwards climb. Some projects relied on a debt service reserve to pay for debt service for the first few years of the project until rents increased enough to cover the annual debt service on their own. If rents did not increase as expected, such projects were very likely to enter financial trouble when the debt service reserve ran out.

Due to these poor underwriting decisions and the impact of the pandemic, several JPA bond deals have already fallen into financial distress and may struggle to pay off their bonds. Other JPA bond deals remain in decent financial condition- outcomes vary based on a combination of local market conditions and the quality of the original underwriting in each deal.

Workforce Housing JPA Bond Deals in Oakland

City staff were first approached with a JPA bond deal proposal in 2019. Staff were subsequently approached several times since then with additional proposals. The initial set of proposals featured many of the underwriting weaknesses described above, such as inadequate debt service coverage ratios or excessively high AMI limits, and staff declined to consider them further. San Francisco and Los Angeles staff likewise took a cautious approach to this new financing strategy and join Oakland in having no completed JPA bond deals to date.

After receiving an unsolicited proposal in 2024 that showed meaningful progress towards correcting the deficiencies of past proposals, Housing & Community Development Department (Oakland HCD) staff have worked to articulate a set of guidelines that captures the housing affordability potential of the JPA bond model without the vulnerabilities of past projects. As part of this effort, Oakland staff interviewed staff at the cities of Berkeley, Larkspur, Hayward, Dublin, and Santa Rosa. All five of these cities previously agreed to host JPA bond deals. Attitudes towards the JPA bond model were mixed across the five cities- while some saw a role for the JPA bond model in a middle-income housing strategy, common concerns were inadequate

⁷ <https://www.forbes.com/sites/schiffrin/2021/12/02/california-scheming-municipal-bonds-workforce-housing-crisis-luxury-apartments/?sh=4a45f1f03001>

⁸ <https://www.mercurynews.com/2024/12/01/investors-tax-breaks-luxury-apartments-affordable-housing/>

annual reporting on the incomes of current tenants in JPA bond model projects, problems with 100/120% AMI rent limits, and exaggerated rent savings.

ANALYSIS AND POLICY ALTERNATIVES

Oakland's Housing Market and the JPA Bond Model

With the massive influx of new housing production over the last several years, asset prices for newly built apartment building in Oakland have significantly declined compared to past valuations. For example, 1889 Harrison St., a 224-unit project built in 2020, was assessed at \$115 million but sold in January 2025 for \$61 million⁹. Other transactions and offerings indicate that this is a broader trend rather than an isolated incident. While in the long run asset prices are likely to recover, the City has a unique window of opportunity to support the acquisition of market-rate housing at bargain prices and invest in conversion of those units into long-term affordable housing.

Unfortunately, the City has few resources available to invest in such conversions. The City's housing investments are guided by the equity framework in the Department of Housing and Community Development's 2023-2027 Strategic Action Plan¹⁰. Due to the severe ongoing need for Extremely Low-Income and homeless housing, the City's capital investments are primarily dedicated to expanding the supply of deeply affordable homes. While the City has dedicated a portion of Measure U funds to the acquisition and conversion of "Naturally Occurring Affordable Housing" (NOAH) projects to deed-restricted affordable housing, the Acquisition and Conversion to Affordable Housing (ACAH) program primarily serves older buildings. The ACAH program is an anti-displacement program focused on protecting low-income tenants from the displacement that might occur if a new property owner purchased their building and increased rents.

Although the ACAH program and the JPA bond model have some core similarities- investing in the acquisition of a market-rate building to provide long-term affordability restrictions- they are fundamentally complementary approaches rather than substitutes. The buildings targeted for ACAH funding tend to have lower rents and more significant building rehabilitation needs than JPA bond deal opportunities. In addition, as most low-income residents live in older buildings, HCD's equity investment framework prioritizes the use of Measure U funds and other resources for the production and preservation of extremely low and very low incomes units rather than the purchase of newly built apartment buildings for people earning 80% AMI.

By establishing long-term affordability restrictions on newer market-rate buildings, the JPA bond model can ensure these buildings remain affordable to middle-income renters on a long-term basis while not requiring HCD's affordable housing funds. This may be particularly useful to middle-income renters on a fixed income, who are especially sensitive to sudden rent swings. JPA bond deals may also contribute to the economic diversity of high-development neighborhoods in Oakland. Together, this advances the City's strategic goals to reduce disparities and promote equitable access to housing and economic opportunities.

⁹ CoStar Data

¹⁰ Available at: <https://www.oaklandca.gov/files/assets/city/v/1/housing-comm-dev/documents/housing-reports/hcd-2023-2027-strategic-action-plan.pdf>

Costs and Risks for JPA Bond Model Projects

Although the JPA bond model can be a valuable preservation tool, such projects carry certain unavoidable costs and risks. As the Council considers the role of the JPA bond model in Oakland's middle income housing strategy, it should carefully consider the implications of these costs and risks.

As a joint power authority owned property, a JPA bond model project is exempt from local property and businesses taxes. This includes the base *ad valorem* property tax, parcel taxes, and the business tax (effectively a gross receipts tax on rental income). As the property is held long-term by the same owner, the City will also likely experience a future reduction in Real Estate Transfer Tax (RETT) revenues.

Staff estimate that for a 100 unit building with a per unit assessed value of \$200,000/unit, the first year under a JPA bond model would involve a total of \$380,000 in foregone taxes, of which about \$160,000 would have gone to the City. Some of this foregone revenue is associated with dedicated parcel taxes, but most of the foregone revenue would have gone to the General Fund. Of the roughly \$220,000 in foregone revenue that would have gone to other taxing agencies, the greatest loss would be experienced by Alameda County and the Oakland Unified School District.

As the City is not directly investing in JPA bond deals, the City has no more control over the daily operation and management of the joint power authority-owned property than it would over the daily operation and management of any privately owned property. Under JPA bond deals, the host city is typically provided a "Public Benefit Agreement" that gives the option to pay off the remaining project debt after 15 years and take ownership of the project early. This agreement, unlike the regulatory agreement the City enters into with projects it directly invests in, has no influence over property management. The asset manager for the property is responsible to the joint power authority that serves as the owner of record, not to the City. The City will not be represented on the board of the joint power authority, nor is it likely to have any significant influence on its board members.

In the event a JPA bond deal defaults on its bonds, the City would not be liable to cover any shortfalls. However, if the bondholders foreclosed on the project, such a foreclosure could wipe out the affordability protections previously placed on the project. The tax exemption for the property would also be wiped out as part of the foreclosure process. As an alternative to this extreme scenario, the City may have little choice but to allow the joint power authority and the bondholders to extend the term of the bond repayment beyond the original term of the agreement. In circumstances where restructuring the term of the bonds is inadequate to cover a debt service shortfall, a foreclosure may be unavoidable. The severe consequences associated with a JPA bond deal defaulting on its debt service underlines the importance of responsible underwriting for such projects.

Oakland's Guidelines for JPA Bond Model Projects

Based on conversations with other cities and a wide range of affordable housing experts, City staff have developed an initial set of guidelines for JPA bond deals in Oakland (**Appendix A**) that staff will use to determine if a proposed JPA bond deal should receive City approval. These guidelines may be updated over time as new information is received. A more detailed description of how these guidelines address the issues in past JPA bond deals elsewhere is described in **Table 2** below.

Table 2: Key provisions of Oakland's JPA Bond Model Guidelines

Challenge identified in other cities' JPA bond deals	Key feature in Oakland's proposed guidelines
Excessively optimistic rent growth assumptions and low Debt Service Coverage Ratio (DSCR) made projects vulnerable to debt service shortfalls	Projects must meet a minimum 1.05 DSCR. Pro formas cannot project rent growth above 3.25% annually.
Some projects were not fully amortizing (e.g. the project would need to take a new loan at the end of the initial bond period)	All projects must be fully amortizing so the project is entirely paid off at the end of the bond term
Some projects had maintenance challenges	Projects are required to add \$250/year per unit to the project's replacement reserve. Projects are subject to a Physical Needs Assessment prior to acquisition to ensure there is no defect or major deferred maintenance
Some projects struggled to fill units restricted at 100% or 120% of AMI	All units must be restricted to no more than 80% AMI
Some project rents were very close to the prevailing market rent and therefore provided minimal benefit in exchange for the cost of lost taxes	Projects must demonstrate that the value of rent savings to tenants is at least 110% of the lost taxes to all taxing agencies (not just the City)
Some projects had excessive debt loads due to inflated sponsor fees	Sponsor fees are subject to a series of limits on both the up-front fees collected and any ongoing payments over time
Some properties were acquired at inflated prices	All properties are subject to an appraisal prior to acquisition
Some joint power authorities lacked strong institutional capacity to oversee projects in their portfolio	All bond issuing joint power authorities are subject to review and approval by City staff.
Some cities received infrequent reporting on the occupancy of projects in their community	All projects must make an annual report to the City identifying how many income qualified and over-income tenants exist in Oakland projects.

Together, these new guidelines reflect many of the key recommendations to local governments provided by the California Housing Partnership/CSG Advisors/HR&A white paper on JPA bond deals¹¹. By mandating realistic underwriting assumptions and establishing a robust public benefit test, these guidelines set a high bar for any proposal that seeks to participate in Oakland's program. As a result of such stringent standards, it is possible that the City will initially see a low or zero volume of JPA bond deal proposals that meet the City's requirements. Project sponsor interest may also evolve over time as interest rates and market rents change the feasibility of JPA bond deals.

This ordinance would authorize the staff to select JPA bond deals for the lesser of six projects or 600 units. Some opportunities- particularly when buildings are actively being offered in the open market- are too time sensitive to wait for the process of individual project approval by the Council. The guidelines are therefore intended to create a "box" that projects must adhere to that Council is comfortable with.

FISCAL IMPACT

The proposed ordinance will authorize staff to approve applications for the lesser of six JPA bond deals or 600 units. The exact fiscal impact depends on the number of units in these buildings and the per unit valuation. Assuming an average per unit value of \$200,000, the maximum year one cost to the City would be \$960,000 in foregone property and business taxes. Other agencies, primarily Alameda County and the Oakland Unified School District, would forego an additional \$1.32 million.

When a joint power authority initially acquires a property, that sale would likely be subject to Oakland's Real Estate Transfer Tax (RETT). However, staff assume that most buildings acquired via the JPA bond model are already for sale and are therefore likely to sell at a similar price with or without the JPA bond deal. Accordingly, the JPA bond deal has no meaningful net impact on the immediate RETT generated. Over the long term, the City would experience reduced RETT revenue as the building would turn over in ownership less often. Conservatively assuming the building would have changed ownership every 10 years, the Net Present Value (NPV) of lost transfer taxes for the 600 units is approximately \$9 million¹².

At the conclusion of the bond repayment term, the City would be able to transfer the paid-off building to an affordable housing organization of its choice. Although this could represent a significant amount of property equity, it would not have a direct fiscal impact on the City and is excluded from this fiscal impact analysis.

¹¹ https://chpc.net/wp-content/uploads/2021/11/Final-JPA-white-paper-11_06_2021-CHPC-CSG-HRA.pdf

¹² This assumes a 3% NPV discount factor and 2% annual property valuation growth.

PUBLIC OUTREACH / INTEREST

The City's Housing & Community Development Department solicited feedback on this proposed JPA bond deal program during middle-income housing stakeholder focus group meetings held in July 2025. The need for more middle-income housing opportunities was one of the key themes that emerged during the community engagement for Oakland HCD's 2023-2027 Strategic Action Plan.

COORDINATION

This report was completed in coordination with the City Attorney's Office and Finance Department.

CEQA FINDINGS

As this action approves no specific project, this action does not constitute a project under the California Environmental Quality Act (CEQA).

SUSTAINABLE OPPORTUNITIES

Economic: Oakland's Middle Income JPA Bond Financing Program could reduce rents for middle-income renters, providing considerable rent savings for these households. A portion of those rent savings will likely be spent on supporting local businesses. By providing long-term affordability restrictions, this program could provide stability for middle-income renters and help Oakland maintain a robust workforce for middle-income roles.

Environmental: This item is not expected to have any significant environmental impacts.

Race & Equity: Middle-income Oaklanders earning \$75,000-\$125,000 annually represent 19% of all Oakland households. 26% of Latino households, 20% of White households, 15% of Black households, and 15% of Asian households fall in this income band. This program may therefore have a disproportionate benefit for Latino Oakland households. Project sponsors will be required to list their project vacancies on the Doorway regional housing portal¹³, which serves as a central location to find affordable housing listings. This should ensure that access to rent-restricted units is available in a fair and equitable manner. Oakland HCD will continue to explore how available units could be affirmatively marketed towards subpopulations, such as seniors, who may particularly benefit from long-term rent restrictions.

¹³ Available at: <https://housingbayarea.mtc.ca.gov/>

ACTION REQUESTED OF THE CITY COUNCIL

Adopt An Ordinance Establishing A Middle Income Joint Powers Authority Bond Financing Program For The Purpose Of Financing The Acquisition, Construction And Improvement Of Oakland Middle Income Housing Projects; Authorizing The City Administrator To Join Joint Powers Authorities, Enter Into Joint Exercise Of Powers Agreements And Other Agreements With Municipal Finance Agencies Under The Program, And Approve The Issuance Of Revenue Bonds By Said Agencies For Oakland Projects Identified By The City Administrator, Without Returning To City Council; And Making Related CEQA Findings

For questions regarding this report, please contact Caleb Smith, Senior Policy Analyst, at (510) 590-6275.

Respectfully submitted,



[Emily Weinstein \(Sep 25, 2025 15:14:46 PDT\)](#)

Emily Weinstein
Director, Housing & Community Development
Department

Prepared by:
Caleb Smith, Senior Policy Analyst

Attachment (1):

- A. Middle Income Joint Powers Authority Bond Financing Program Guidelines

Based on Oakland's research and analysis, we are seeking projects that can achieve the following parameters:

- The project shall have a stabilized debt service coverage ratio of no less than 1.20 for tranche A1 bonds and 1.05 for tranche A2 bonds. Tranche A2 bonds should represent no more than 20% of all tranche A bonds. This ratio must be maintained over the life of the project with the assumption that rents will increase by no more than 3.25% annually.
- All bonds associated with the project must fully amortize over the project period, such that at the end of the bond term, the asset can be transferred to the City of Oakland or a party designated by the City of Oakland without requiring any refinancing, balloon payment, or exit fee.
- The project budget must include an adequate fund to cover the cost of maintenance and the replacement of building systems (elevators, roof, etc.) over the course of the building life. This budget must be based on the assumption that when the building transfers to City ownership, all building systems will have at least 5 years of useful life remaining, or have the system replaced prior to transfer. These replacement reserves shall be a minimum of \$250 per unit per year escalating at no less than 3% per year, based on the type and age of property and supported by a third-party physical needs assessment with a 30-year horizon submitted to the City prior to requested City Council approval. A substantially equivalent combination of pre-funded capital reserves and annual replacement reserve contributions may also be acceptable at the discretion of the City. The proposal must address significant building quality issues at the onset of the deal and budget accordingly for such repairs. Replacement reserves shall be part of Net Operating Income calculations and used in sizing Series A debt. Unused replacement reserves at the conclusion of the bond term shall be transferred to the City of Oakland or a future property owner of the building designated by the City of Oakland. Replacement reserves shall not be used for bond repayments under any circumstances.
- No bonds associated with the project can last more than 45 years. Bond terms of 30 years or less are preferred for projects with an average affordability of over 50% AMI. However, as Oakland places a greater priority on depth of affordability than it does on bond term, projects with an average affordability of 50% AMI or below are welcome for bond terms of up to 45 years.
- Rents are restricted to 30% of 80% of Area Median Income, based on an appropriately sized household per unit. The current rent limits for such units is [available on the City website here](#). All units, except manager units, will be subject to a deed restriction to be rented at a maximum of 80% of Area Median Income for 55 years.
- To the extent allowed by the project AMI restrictions, rents may escalate no more than the annual change in CPI-Urban for the San Francisco-Oakland-Hayward CBSA, or 3.25%, whichever is greater.
- The sum total of the Net Present Value of the fees for the project administrator and any subordinate bonds that go to a project sponsor/administrator shall be no more than 3%

of the property value, exclusive of annual interest costs. Any one-time fees at the beginning of the project shall be capped at 1% of the property value plus rehabilitation costs, unless the project forgoes charging a subordinate bond for the project sponsor and instead accept 1.5% of property value in up-front fees plus 1.5% fees paid out of project residuals. The combined value of asset management fees and interest paid on the sponsor bond, if applicable, shall not exceed 5% of effective gross income. The asset management fees must be sized to be adequate to pay a competitive rate for a new project administrator if the project administrator is replaced during the term of the agreement. If the project's cash flow is inadequate to pay debt service payments without recourse to any applicable debt service reserve, the interest for the sponsor's subsidiary bond will be deferred until such time as the project is able to make regularly scheduled debt service. Any deferred payments in this section will not accrue interest.

- All projects will be subject to appraisal before acquisition to the satisfaction of the City. The City will not normally approve a proposal that funds an acquisition price well above the appraised value.
- Existing tenants who are over income shall not be displaced but will not receive any rent reduction from the deal.
- The City must approve the initial property management firm that will operate the property.
- During leasing, there shall be a preference for offering units to holders of voucher programs such as VASH, Housing Choice Vouchers, etc. The project must abide by all applicable State laws on source of income discrimination.
- Vacancies must be posted on a regional housing platform designated by the City, if so requested by the City. An example of a regional housing portal the City may designate is the [Doorway regional housing portal](#).
- The value of the rent savings generated by the proposed deal must be at least 110% of the combined loss of tax revenue to all taxing agencies over the course of a 30-year period. The rent savings must outweigh the value of the lost tax revenue no later than year 5 of the project, and must continue to outweigh the value of the lost tax revenue in all future years after year 5. As part of proving that a proposed project meets this test, the project sponsor should include the projected lost taxation amount for all taxing agencies on an annual basis for the 30-year period as part of their submission. As part of this justification, the sponsor shall assume property taxes escalate at 2% annually and that market rents escalate at 3.25% annually.
- All units, regardless of age, will be subject to Oakland's Just Cause for Eviction Ordinance.
- In the unlikely event that projects need to take on additional debt after acquisition (through modification of the public benefit agreement), the City of Oakland must grant consent.

- The sponsor cannot materially benefit from the bond issuance fees- all bond issuance fees must be a fee for service.
- If a sponsor wishes to partner with a Joint Power Authority other than the California Municipal Finance Authority Special Finance Agency, the City will review the proposed Joint Power Authority on a case-by-case basis and retains the right to veto the selection of Joint Power Authority as unsuitable. Projects that partner with the California Municipal Finance Authority Special Finance Agency will not require further analysis of Joint Power Authority suitability, as City staff have already assessed the California Municipal Finance Authority Special Finance Agency as suitable for these projects.

DRAFT