

CITY OF OAKLAND
AGENDA REPORT

OFFICE OF THE CITY CLERK
2805 OCT 19 PM 7:00

TO: Office of the City Administrator and Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: October 25, 2005

RE: **THREE CITY AND TWO AGENCY RESOLUTIONS INCREASING THE LOAN LIMIT FOR MORTGAGE ASSISTANCE PROGRAM (MAP) LOANS FOR FIRST-TIME HOMEBUYERS TO \$75,000, APPROPRIATING AND ACCEPTING \$1 MILLION IN AGENCY FUNDS TO THE MAP, AUTHORIZING THE USE OF MAP FUNDS TO CURE DEFAULTS ON SENIOR LOANS AND ALLOCATING THE TEMPORARY USE OF UP TO \$1 MILLION IN AGENCY FUNDS FOR THIS PURPOSE**

SUMMARY

Staff has prepared three City Council resolutions and two Redevelopment Agency resolutions to implement changes to the City's first-time homebuyer program that were approved by the City Council and Redevelopment Agency on July 19, 2005. The proposed resolutions would do the following:

1. A City Council resolution would increase the maximum loan amount for first-time homebuyer assistance loans made under the Mortgage Assistance Program (MAP) from \$50,000 to \$75,000.
2. Resolutions for both the City Council and the Agency would reallocate \$1,000,000 in funding from the Low and Moderate Income Housing Fund's Housing Development Program to the MAP. These funds would be transferred to the City pursuant to the City/Agency Cooperation Agreement, as the City operates the MAP using funding from the Agency.
3. Resolutions for both the City Council and the Agency would allow the City to advance funds from the MAP to cure defaults on loans senior to MAP loans in order to prevent the City's loans from being eliminated through foreclosure, and authorizing the Agency to provide up to \$1,000,000 in funding from the Low and Moderate Income Housing Fund, on a temporary basis, if the MAP does not have sufficient balances to make such advances.

FISCAL IMPACT

Increasing the maximum loan amount would reduce the number of loans that can be made with the existing annual appropriation of \$2,500,000. Reallocation of \$1,000,000 from the housing development program to the MAP would make it possible to provide a comparable number of loans each year. This reallocation would reduce funding available for the annual housing development Notice of Funding Availability (NOFA). However, in the past few years there has been a declining number of requests for funding for homeownership development projects. This reallocation would re-establish a balance between ownership and rental activities consistent with the City Council's goal of providing equal funding to ownership and rental housing. Staff estimates that this year between \$10,000,000 and \$15,000,000 will be available for the NOFA after transferring funds to the MAP.

A City Council resolution authorizing the temporary use of MAP funds to protect MAP loans from being eliminated in foreclosure would allow the City to move quickly to prevent senior lenders from foreclosing. This would temporarily reduce the amount of funding available for new loans, but the funds advanced for this purpose would be recovered from the borrowers through repayment or if necessary from sale of the properties.

An accompanying Agency resolution would provide for a temporary transfer of funds from the Low and Moderate Income Housing Fund if the MAP program has insufficient funds on hand to cure any defaults without stopping new loan activity. These funds would come from housing projects and programs that have been allocated Low and Moderate Income Housing Funds but would not need to actually expend the funds until future years. If these advances are not recovered by the City in the manner described above, the funds would ultimately come from future years' appropriations for the MAP, so as to leave the Low and Moderate Income Housing Fund intact.

BACKGROUND

On July 19, 2005, staff presented to the City Council a report on issues pertaining to homeownership programs for low and moderate income families, including a discussion of reasons for the lack of applications in FY 2004-05 for development of new owner-occupied housing. Staff presented a number of policy recommendations in that report. The Council approved some of those recommendations and directed staff to return with implementing legislation. The proposed resolutions will implement those recommendations that were approved by the City Council.

KEY ISSUES AND IMPACTS

As noted in the July 19, 2005 report, the current loan limits for the MAP have been at \$50,000 since 2001. In that time, housing prices have escalated much faster than incomes, and \$50,000 is no longer sufficient to assist a low income family to purchase a home.

Increasing the loan limits would reduce the number of loans that can be made from the existing appropriation of \$2,500,000. Additional budget authority is needed to maintain the same level of assistance and meet the City's performance objectives for homeownership.

Loans made under the MAP program are usually subordinated to loans from private lenders. If a borrower defaults on a senior mortgage, the lender can foreclose and force a sale of the house to recover its loan. Senior lien holders are under no obligation to recover funds owed on subordinate loans, and thus a foreclosure could eliminate the City's loan. As a junior lien holder, the City does have the right to advance funds to "cure" any default by a borrower. However, at present staff has no authority to make such advances and thus City loans are at risk.

PROGRAM DESCRIPTION

The Mortgage Assistance Program (MAP) provides low income first-time homebuyers with funding to assist them to purchase a modest priced home in Oakland. Purchase prices are limited to 95 percent of the median sales price of single family homes (currently the limit is \$456,000). Funds are provided as loans with a simple interest rate of three percent (3%), with payments deferred until the house is sold or refinanced or is no longer used as the borrower's primary residence.

The proposed program and budget changes would do the following:

- Increase the loan limit under the MAP from \$50,000 to \$75,000.
- Provide an additional \$1,000,000 in funding for the MAP by reallocating a portion of the funds currently appropriated for the housing development NOFA.
- Provide the City with the necessary tools to protect its loans in the event of a default by the borrower on a mortgage with first lien priority over the City's loan.

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.

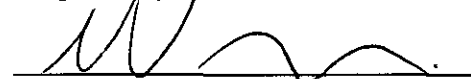
RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City adopt the attached resolutions to:

- Increase the maximum loan amount for MAP loans to \$75,000
- Provide an additional \$1,000,000 in funding in FY 2005-06 for the MAP.
- Provide staff with the necessary tools to protect City loans in the event a homeowner defaults on a loan to which the City has subordinated.

These changes will assist the City to further implement the goal of providing homeownership opportunities to the citizens of Oakland. Staff recommends that the resolutions be approved.

Respectfully submitted,



DANIEL VANDERPRIEM

Director of Redevelopment, Economic
Development and Housing

Reviewed by: *SKR*

Sean Rogan, Director of Housing and
Community Development


Prepared by:

Jeffrey P. Levin, Housing Policy and
Programs Coordinator

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



**OFFICE OF THE CITY ADMINISTRATOR
AND AGENCY ADMINISTRATOR**


OFFICE OF THE DEPUTY CITY ATTORNEY
OAKLAND

2005 OCT 13 PM 7:00

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

A RESOLUTION MODIFYING THE MORTGAGE ASSISTANCE PROGRAM GUIDELINES FOR FIRST TIME HOMEBUYERS TO INCREASE THE MAXIMUM LOAN AMOUNT TO \$75,000

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. authorized modifications to the program guidelines for the MAP that, among other things, established a maximum loan amount of \$50,000; and

WHEREAS, rapid increases in housing prices in Oakland have limited the effectiveness of the program with the current loan limits; and

WHEREAS, the City wishes to modify the program and increase the maximum loan amount to \$75,000 to be more effective in the current housing market by providing sufficient subsidy to assist low income homeowners to purchase homes in Oakland; 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 maximum loan amount to \$75,000; 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 Mortgage Assistance Program, and take any other necessary actions consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

ATTEST:

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

[Signature]
OFFICE OF THE CITY CLERK
CITY REDEVELOPMENT AGENCY COUNSEL

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND**

2005 OCT 13 PM 7:00

RESOLUTION NO. _____ C. M. S.

INTRODUCED BY AGENCY MEMBER _____

A RESOLUTION AUTHORIZING A CONTRIBUTION OF \$1,000,000 IN LOW AND MODERATE INCOME HOUSING FUNDS TO THE CITY UNDER THE COOPERATION AGREEMENT TO THE MORTGAGE ASSISTANCE PROGRAM FOR FIRST TIME HOMEBUYERS FOR FY 2005-06

WHEREAS, there is a need to promote home ownership for low and moderate income households throughout all the redevelopment project areas and throughout the City; and

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, the City of Oakland and the Redevelopment Agency entered into a Cooperation Agreement on July 1, 2004, which governs the provision of assistance and the payment of funds between the two agencies, including funds for affordable housing; and

WHEREAS, funding for the MAP has been provided in the past by the Redevelopment Agency to the City through the Cooperation Agreement; and

WHEREAS, rapid increases in housing prices in Oakland have limited the effectiveness of the program with the current loan limits; and

WHEREAS, the City wishes to modify the program and increase the maximum loan amount to \$75,000 to be more effective in the current housing market by providing sufficient subsidy to assist low income homeowners to purchase homes in Oakland; and

WHEREAS, to assist the same number of households each year will require additional funding because of the increased loan amounts; and

WHEREAS, the Agency wishes to provide additional funding to the City to support the MAP; now, therefore, be it

RESOLVED: That the Agency hereby approves a contribution of an additional \$1,000,000 in funding to the City for the MAP for FY 2005-06 pursuant to the Cooperation Agreement; and be it

FURTHER RESOLVED: That the Agency hereby authorizes the transfer of \$1,000,000 from the Low and Moderate Income Housing Fund (9580), Housing Development Organization (88929), Loan Expenditures: Non-Grant Funded Account (58312), Housing Development Project (P209310) to the Low and Moderate Income Housing Fund (9580), Homeownership Programs Organization (88989), Loan Expenditures: Non-Grant Funded Account (58312), Mortgage Assistance Program Project (L07700); and be it

FURTHER RESOLVED: That the Agency hereby appoints the Agency Administrator and her designee as agent of the Agency to take any actions necessary to execute documents, administer the Mortgage Assistance Program, and take any other necessary actions consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

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

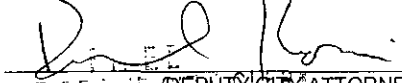
NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California


OFFICE OF THE DEPUTY CITY ATTORNEY
OAKLAND

2005 OCT 13 PM 7:00

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

A RESOLUTION ACCEPTING \$1,000,000 IN LOW AND MODERATE INCOME HOUSING FUNDS FROM THE REDEVELOPMENT AGENCY UNDER THE COOPERATION AGREEMENT AND APPROPRIATING THOSE FUNDS TO THE MORTGAGE ASSISTANCE PROGRAM FOR FIRST TIME HOMEBUYERS FOR FY 2005-06

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, the City intends to increase the maximum loan amount permitted under the MAP; and

WHEREAS, to assist the same number of households each year will require additional funding because of the increased loan amounts; and

WHEREAS, the City and the Redevelopment Agency entered into a Cooperation Agreement on July 1, 2004, which governs the provision of assistance and the payment of funds between the two agencies, including funds for affordable housing; and

WHEREAS, funding for the MAP has been provided in the past by the Redevelopment Agency to the City through the Cooperation Agreement; and

WHEREAS, the Agency has approved a contribution of an additional \$1,000,000 in funding for the MAP for FY 2005-06; now, therefore, be it

RESOLVED: That the City Council hereby accepts the contribution of \$1,000,000 from the Redevelopment Agency and appropriates said amount to the Mortgage Assistance Program, Oakland Redevelopment Agency Grants Fund (2185), Homeownership Programs Organization (88989), Loan Expenditures: Non-Grant Account (58312), First Time Homebuyer Program (P41700); 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 Mortgage Assistance Program, and take any other necessary actions consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

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

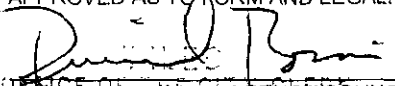
NOES-

ABSENT-

ABSTENTION-

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council


OFFICE OF THE CITY AGENCY COUNSEL
OAKLAND

REDEVELOPMENT AGENCY 2005 OCT 13 PM 7:00
OF THE CITY OF OAKLAND

RESOLUTION NO. _____ C. M. S.

INTRODUCED BY AGENCY MEMBER _____

RESOLUTION AUTHORIZING A CONTRIBUTION OF UP TO \$1,000,000 IN LOW AND MODERATE INCOME FUNDS TO THE CITY UNDER THE COOPERATION AGREEMENT TO PROVIDE TEMPORARY FUNDING UNDER THE CITY'S MORTGAGE ASSISTANCE PROGRAM TO CURE DEFAULTS ON SENIOR MORTGAGES AND PROTECT THE CITY'S LOANS

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, the City and the Redevelopment Agency entered into a Cooperation Agreement on July 1, 2004, which governs the provision of assistance and the payment of funds between the two agencies, including funds for affordable housing; and

WHEREAS, funding for the MAP has been provided in the past by the Redevelopment Agency to the City through the Cooperation Agreement; and

WHEREAS, the MAP provides first-time homebuyers with mortgages that are subordinated to mortgages provided by other lenders; and

WHEREAS, in the event a borrower defaults on a mortgage with a lien position senior to the City's lien position the MAP loan could be lost; and

WHEREAS, the Agency desires to provide temporary funding to the City to cure such defaults and protect the MAP loan; now, therefore, be it

RESOLVED: That the Agency hereby authorizes the contribution to the City, under to the Cooperation Agreement, of up to \$1,000,000 in Low and Moderate Income Housing Funds to augment the City's Mortgage Assistance Program for the purpose of curing defaults on loans senior to the City's loans; and be it

FURTHER RESOLVED: That said funds may be expended from existing projects in the Low and Moderate Income Housing Funds to the extent that the funds will not be needed for expenditures to be incurred in the current fiscal year; and be it

FURTHER RESOLVED: That the Agency hereby appoints the Agency Administrator and her designee as agent of the Agency to take any actions necessary to execute documents, administer the Mortgage Assistance Program, and take any other necessary actions consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

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

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California

FILED
APPROVED AS TO FORM AND LEGALITY:
2005 OCT 12 PM 7:00
DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

A RESOLUTION AUTHORIZING THE USE OF MORTGAGE ASSISTANCE PROGRAM FUNDS TO CURE DEFAULTS ON SENIOR LOANS TO PROTECT THE CITY'S LOANS, AND ACCEPTING UP TO \$1,000,000 IN LOW AND MODERATE INCOME HOUSING FUNDS FROM THE AGENCY UNDER THE COOPERATION AGREEMENT FOR THIS PURPOSE

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, the City and the Redevelopment Agency entered into a Cooperation Agreement on July 1, 2004, which governs the provision of assistance and the payment of funds between the two agencies, including funds for affordable housing; and

WHEREAS, funding for the MAP has been provided in the past by the Redevelopment Agency to the City through the Cooperation Agreement; and

WHEREAS, the MAP provides first-time homebuyers with mortgages that are subordinated to mortgages provided by other lenders; and

WHEREAS, in the event a borrower defaults on a mortgage with a lien position senior to the City's lien position the MAP loan could be lost; and

WHEREAS, the Agency has approved \$1,000,000 in temporary funding to the City to cure such defaults and protect outstanding MAP loans; now, therefore, be it

RESOLVED: That the City Council hereby authorizes the use of funds from the Mortgage Assistance Program to cure defaults on loans senior to the City's MAP loans; and be it

FURTHER RESOLVED: That any funds used for such purposes shall be recovered from the borrowers of MAP loans, including through default and foreclosure if possible; and be it

FURTHER RESOLVED: That the City Council hereby accepts the contribution of up to \$1,000,000 in temporary funding from the Agency, as needed, from Low and Moderate Income Housing Funds to augment the City's Mortgage Assistance Program for the purpose of curing defaults on loans senior to the City's loans; and be it

FURTHER RESOLVED: That any such funding from the Agency shall be repaid from any proceeds derived from loan repayments, foreclosure or other actions to the extent possible, and otherwise shall be repaid from current and future appropriations for the MAP; 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 Mortgage Assistance Program, and take any other necessary actions consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

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

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council