



# AGENDA REPORT

**TO:** Edward D. Reiskin  
City Administrator

**FROM:** Shola Olatoye  
Director, Housing and  
Community Development

**SUBJECT:** Reallocate ReUse Revenue

**DATE:** May 3, 2021

City Administrator Approval 

Date: May 18, 2021

## RECOMMENDATION

**Staff Recommends That The City Council Adopt The Following Pieces Of Legislation:**

- 1) A Resolution Authorizing The Periodic Reallocation Of The Oakland Shared Appreciation Mortgage Program Repayment Revenues To Make New Oakland Shared Appreciation Mortgage Program Loans Under The Program For A Period Of Five Years Without Returning To Council; And**
- 2) A Resolution Authorizing The Periodic Reallocation Of The Oakland Building Equity And Growth In Neighborhoods Program Repayment Revenues To Make New Oakland Building Equity And Growth In Neighborhoods Program Loans Under The Program For A Period Of Five Years Without Returning To Council.**

## EXECUTIVE SUMMARY

Staff recommends that the City Council adopt two resolutions to reallocate loan repayments from first-time homebuyer loans to be used to make additional first-time homebuyer loans, as follows:

- A resolution authorizing staff to reallocate existing Oakland Shared Appreciation Mortgage (SAM) Program revenues from loan repayments to the SAM ReUse account in order to make new first-time homebuyer loans. Current program revenues total approximately \$500,000 which could assist six to ten households. The California Housing and Community Development Department's (CA-HCD's) program design and Budget Department policy encourage expediting reuse of the funding.
- A resolution authorizing staff to reallocate existing Oakland Building Equity and Growth In Neighborhoods (BEGIN) Program revenues from loan repayments to the BEGIN ReUse account in order to make new first-time homebuyer loans. Current program revenues total approximately \$1,500. However, when an existing low-income homebuyer wishes to sell, the BEGIN loan repayment funds may then be re-used to assist the next sale in Brookfield Court, the original affordable housing project that received BEGIN funding to deepen affordability, or in another eligible project, without further delay.

City Council  
June 1, 2021

## **BACKGROUND / LEGISLATIVE HISTORY**

Since 1993, the City has developed and implemented a variety of programs to encourage and facilitate homeownership, and has invested considerable funds to programs that increase and promote affordable homeownership opportunities. Increasing homeownership rates helps to stabilize neighborhoods, and slow the effects of community gentrification by providing long-term housing affordability as well as opportunities for generational wealth-building.

Since 2013, the City has operated the Oakland SAM and Oakland BEGIN Programs to assist low-income first-time homebuyers earning up to eighty percent (80%) of Area Median Income (AMI). Although these two programs are currently suspended for lack of funds, the City's other various down payment assistance programs such as the Oakland Mortgage Assistance Program and Oakland CalHome Program remain popular with homebuyers, community lenders, and buyers' agents. Since inception through March 1, 2021, the Oakland SAM and BEGIN Programs have assisted thirty (30) households to purchase their homes.

The Oakland SAM Program was funded by a state "Local Housing Trust Fund Program" grant (LHTF or LHTF Program) operated by the CA-HCD pursuant to Health and Safety Code (HSC) Sections 50842.1, 50842.2, 50843.5 and Section 54006(f), which govern the LHTF Program. The City applied for and received an award under the State's 2009 Notice of Funding Availability (NOFA), with a contract signed in 2011 and all funding disbursed in 2014. Part of the funds were applied to a rental housing rehabilitation project, and a second portion (\$1,023,750) was allocated to assist low-income first-time homebuyers. As those homebuyers pay back their loans, those repaid funds, plus a share of appreciation, are collected as revenue and may be used to assist additional low-income homebuyers under the same revolving program.

The City Council has authorized staff to apply for the "Local Housing Trust Fund Program" grant in the past, and the most recent City application to the 2020 NOFA (Resolution No. 88331 CMS) received an award to develop new construction affordable rental housing. No new funds for homeownership assistance have been received since the 2009 NOFA, and this recommendation is to reuse the homeownership repayments originating specifically from that 2009 NOFA.

The Oakland BEGIN Program was funded by a State "Building Equity And Growth In Neighborhoods Program" grant (BEGIN) that was established and described in Chapter 14.5, Sections 50860 through 50866 of Part 2 of Division 31, HSC. The BEGIN Program is a homeownership program designed to make grants to qualifying cities and counties that provide incentives or reduce or remove regulatory barriers for housing developments, as set forth in the BEGIN Program Guidelines. These grants can be used for down payment assistance in the form of loans to qualifying first-time homebuyers of low-and moderate-incomes. The grant funds were used to provide down payment assistance loans to buyers at the Habitat for Humanity East Bay/Silicon Valley development Brookfield Court in 2014. The loans may be assumed by the affordable housing unit's next buyer under certain circumstances or be repaid and then reused as new loans.

## **ANALYSIS & POLICY ALTERNATIVES**

Reuse of the funds will provide additional funding to operate the Oakland SAM and Oakland BEGIN Programs which thereby expands the availability of affordable housing options for low-income Oakland households. Not reusing the funds forgoes an opportunity to assist low-income residents.

Allowing for automatic revenue appropriation for a set period of five years allows staff to be more efficient in deploying loans to assist homebuyers.

### **Past and Current First-Time Homebuyer Activity**

The \$1,023,750 in LHTF Program funds provided to the Oakland SAM Program resulted in down payment assistance to eighteen (18) low-income families (households earning up to eighty percent (80%) AMI) to purchase their first home in Oakland. SAM loans were made from 2013 through 2016 and thirty-nine percent (39%) of the loans benefitted Section 8 homebuyers who are among the most vulnerable applicants. Since making the last loan, the program has been suspended due to lack of funds.

The \$470,000 in BEGIN Program funds provided supplemental down payment assistance to twelve (12) low-income families (households earning up to eighty percent (80%) AMI) to purchase their first home in Oakland's Brookfield Court project. The loans were made from 2014 through 2015 and seventy-five percent (75%) of the loans benefitted homebuyers with household incomes below sixty percent (60%) AMI. Since making the last loan, the program has been suspended due to lack of funds.

There is currently no funding available under the City's Mortgage Assistance Program (MAP), CalHome, SAM and BEGIN homebuyer assistance programs. Staff recommends reallocating program repayment revenues on a periodic basis to increase the program's capacity to make new loans – as per the program's design, and also to comply with Treasury Department recommendations to submit reallocation requests in intervals not exceeding six months.

Despite the discontinuity of funding, interest in the City's programs remains strong, as evidenced by frequent inquiries regarding program funding availability. Interest in the City's First-time Homebuyer Programs has increased in the last few years as rents have increased – with potential homebuyers stating that they would prefer to buy their own home in order to stay in Oakland, and to pay their own mortgage instead of paying their landlord's mortgage. Many residents face being priced-out of Oakland by rapidly rising prices, high rents and the lack of affordable housing supply.

The SAM and BEGIN program funds are an important supplement to the flagship City-funded Homeownership Mortgage Assistance Program (MAP), thereby increasing the number of buyers that can be assisted. Additionally, when MAP funds run out (as is currently the case), the additional programs' funds can continue to provide down payment assistance to those most in need (those with incomes below eighty percent (80%) of AMI). This is critically important to providing opportunity to Section 8 buyers under a partnership with the Oakland Housing Authority.

## Policy Alignment

Operating the Oakland SAM and BEGIN programs supports the Oakland Housing & Community Development Department's (HCD's) 2021 Budget Mission Statement "We work on several levels to create and preserve affordable housing by...providing direct assistance to first time homebuyers..." (Source [FY-2019-21-Adopted-Budget-Policy-Book](#)).

The recommendation to reallocate program revenues to operate the programs is informed in part by the Racial Equity Impact Analysis findings showing the program's effectiveness in addressing mortgage lending disparities in Oakland, increasing affordable housing opportunities, and reducing burdens for the communities most heavily impacted by racial disparities.

**Tables 1 and 2** provide an analysis of HCD's past distribution of SAM and BEGIN loans. It is anticipated that if program revenue is reallocated to make new loans, that the communities served will reflect a similar distribution with the majority of loans serving historically underserved communities of color. **Table 3** provides a basis for comparison to Oakland's demographic distribution reported in the 2019 census data.

**Table 1 Program Funds Distribution SAM Loans**

RACE and ETHNICITY		
Percentage	Count	
28%	5	African American
17%	3	White (Non-Hispanic)
17%	3	Asian/Pacific Islander
39%	7	Hispanic
0%	0	Other/Multiple Race
0%	0	Native American
<b>100%</b>	<b>18</b>	<b>TOTAL</b>

**Table 2 Program Funds Distribution BEGIN Loans**

RACE and ETHNICITY		
Percentage	Count	
58%	7	African American
0%	0	White (Non-Hispanic)
25%	3	Asian/Pacific Islander
17%	2	Hispanic
0%	0	Other/Multiple Race
0%	0	Native American
<b>100%</b>	<b>12</b>	<b>TOTAL</b>

**Table 3 Demographic Statistics for Oakland, CA as of July 1, 2019**

<b>Race and Hispanic Origin Percentages</b>	
35.50%	White alone
28.30%	White alone, not Hispanic or Latino
27.00%	Hispanic or Latino (*)
23.80%	Black or African American alone
15.50%	Asian alone
6.90%	Two or More Races
0.90%	American Indian and Alaska Native alone
0.60%	Native Hawaiian and Other Pacific Islander alone
(*) Hispanics may be of any race, and are included in applicable race categories	

<https://www.census.gov/quickfacts/oaklandcitycalifornia>

**Note: Table 3 data does not match perfectly with Tables 1 and 2 due to variations in data collection**

### Use of SAM and BEGIN Funds

If the proposed resolutions are approved, the SAM and BEGIN funds will be re-appropriated to make new low-interest, deferred-payment mortgage assistance loans to low-income, first-time homebuyers under the SAM and BEGIN loan programs.

Staff recommends the following program options for the SAM Program:

1. A 30-year loan, with payments deferred, and payable upon sale or transfer of the home, or when the property ceases to be owner-occupied, or at maturity.
2. A shared appreciation model consistent with the City's current SAM Program.
3. The maximum amount of the Program assistance increased to \$100,000 per household, the current maximum permitted per State Regulations.
4. The assistance loans will be evidenced by a Promissory Note.
5. The loans will be secured by a deed of trust recorded on the property.
6. Funds will be made be available on a first-come, first-served basis.

Staff recommends the following program options for the BEGIN Program:

1. A 30-year loan, with payments deferred, and payable upon sale or transfer of the home, or when the property ceases to be owner-occupied, or at maturity.
2. A low interest rate consistent with the City's current BEGIN Program.
3. The maximum amount of the Program assistance increased to the current maximum permitted per State Regulations.
4. The assistance loans will be evidenced by a Promissory Note.
5. The loans will be secured by a deed of trust recorded on the property.
6. Funds will be made be available on a first-come, first-served basis.

**Alternatives**

If the resolutions are not approved, the SAM and BEGIN programs will remain suspended due to lack of funds and the repayment revenue will remain unexpended until appropriated for another use.

**FISCAL IMPACT**

If the resolutions are approved, the programs would receive funding in an amount equal to the repayment revenues collected. The funds would be deployed for the purpose of making mortgage assistance loans pursuant to the program guidelines. Funds will be deposited into the California Department of Housing and Community Development Fund (Fund 2144). **Tables 4 and 5**, below, provide the funding sources.

**Table 4. Fund Source for the SAM Program**

Entity	Fund Source	Organization	Account	Project	Program
1	2144	89989	58311	1000386	NB32

**Table 5. Fund Source for the BEGIN Program**

Entity	Fund Source	Organization	Account	Project	Program
1	2144	89929	58311	1000356	NB32

The automatic periodic re-allocation of loan funds revenue for new homebuyer loans is estimated to provide \$500,000 in program revenue over five years which will automatically be re-invested in loans to eligible first-time homebuyers. The actual amounts will be determined by Fiscal staff after borrowers pay off their loans; the above estimate is based on revenues that have accumulated in the last five years.

The SAM and BEGIN programs were designed to re-use program revenue as a revolving loan fund to create more loans and extend the programs' effectiveness and impact over a period of many years. This approach is consistent with City fiscal policy to proactively apply housing program funds to improve the housing opportunities in the community.

**PUBLIC OUTREACH / INTEREST**

No outreach was deemed necessary for this item beyond the standard City Council agenda noticing procedures, however, City staff continue to receive virtually daily calls and emails from prospective homebuyers, lenders, housing counselors, and real estate professionals inquiring when program funds will be made available again.

Further, a local realtor association's (Bridge Association of Realtors) Minority Task Force convened in July 2020 to review the status of the City's First Time Homebuyer Assistance Programs. The group's recommendations resulted in the Association providing a letter of support for the City's first-time homebuyer programs citing their importance in assisting low

resource community members to not only stabilize their housing and strengthen community ties, but also to build intergenerational wealth (**Attachment A**).

## **COORDINATION**

This report and legislation have been reviewed by the Office of the City Attorney and the Budget Bureau.

## **SUSTAINABLE OPPORTUNITIES**

**Economic:** Homebuyer and mortgage assistance programs expand affordable homeownership opportunities for low-income families, seniors and Oakland's disabled community; in addition to expanding economic opportunity and increasing family wealth.

**Environmental:** Expanding homeownership opportunities close to employment centers provides a reduction of greenhouse gas generation by avoiding long auto commutes from less expensive, geographically distant communities. Less bay area commuting means healthier air for the community.

**Race & Equity:** The use of homebuyer assistance funds as proposed in this report and resolution promotes equity by providing assistance to low-income families to become homeowners. Homeownership has a positive impact on the quality of life for families and residents and their neighborhoods through stabilized community bonds, pride of ownership, and increased wealth.

The City is working towards improving racial equity under the Department of Race and Equity's [2018 Equity Indicators Report](#) with the goal to increase homeownership rates for people of color. Many creditworthy borrowers cannot currently access homeownership because they struggle to meet down-payment requirements. Systemic racism has led to inequality for people of color who typically have less intergenerational wealth to draw from as they consider a home purchase. Down-payment assistance programs are an effective and efficient tool that addresses the largest barrier for borrowers to buy a home.

The City's provision of down payment assistance also serves to counter the inequities in mortgage lending which is underrepresented in credit extended to disadvantaged communities. Federal data show that communities of color and low-income communities receive less mortgage financing than predominantly white and/or higher-income communities. Of the thirty (30) SAM and BEGIN loans made, ninety percent (90%) assisted households where the primary borrower self-identified as a person of color, and one hundred percent (100%) assisted low-income households with incomes not exceeding 80 percent AMI. Mortgage assistance demonstrably expands opportunities for underserved buyers to secure stable and permanently affordable housing.

**Table 6** illustrates the homeownership rate inequities among racial groups in the Oakland area. In comparison, **Tables 1 and 2** show that the programs serve primarily homebuyers of color, expanding Oakland homeownership opportunities to disadvantaged communities.

**Table 6 Demographics of Homeownership**

<b>Percentage of Householders who do not own their homes</b>	
African American	74.1%
Asian	48.1%
Latino	69.0%
White	43.6%
Other/Multiracial	70.1%
Oakland	56.4%

Source American Community Survey, 1-year PUMS, 2016, as published in the 2018 Oakland Equity Indicators Report



**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council adopt the following pieces of legislation:

- 1) Resolution Authorizing The Periodic Reallocation Of The Oakland Shared Appreciation Mortgage Program Repayment Revenues To Make New Oakland Shared Appreciation Mortgage Program Loans Under The Program For A Period Of Five Years Without Returning To Council; And
- 2) A Resolution Authorizing The Periodic Reallocation Of The Oakland Building Equity And Growth In Neighborhoods Program Repayment Revenues To Make New Oakland Building Equity And Growth In Neighborhoods Program Loans Under The Program For A Period Of Five Years Without Returning To Council.

For questions regarding this report, please contact Christia Katz Mulvey, Housing Development Manager at 510-238-3623, or Nicki Duesberg, Homeownership Programs at 510-238-6158.

Respectfully submitted,

*Shola Olatoye*

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Attachments (1):

- A. Bridge Realtor's Association August 28, 2020 letter of support for the City's Mortgage Assistance Program (MAP). *While MAP assists both low- and moderate-income first-time homebuyers, the Oakland SAM and BEGIN programs are limited to serving low income homebuyers.*