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OFFICE OF THE CITY CLERK
OAKLAND

2016 SEP -1 AM 10:21 **AGENDA REPORT**

TO: Sabrina B. Landreth
City Administrator

FROM: Michele Byrd
Director, HCDD

SUBJECT: Mortgage Assistance Program
Revenue Appropriation and Program
Funding

DATE: August 22, 2016

City Administrator Approval

Date:

8/31/16

RECOMMENDATION

Staff Recommends That The City Council Adopt The Following Resolutions:

A Resolution Amending Resolution No 77655 C.M.S., Which Appropriated Loan Repayments Under The Mortgage Assistance Program For Continuation Of The Program, To Instead Appropriate Current And Future Loan Repayments To The Low And Moderate Income Housing Asset Fund For The Development Of Affordable Housing, And Appropriating \$1,600,000 In Affordable Housing Trust Funds To The Mortgage Assistance Program

A Resolution Amending Resolution No 86126 C.M.S., Which Authorized \$600,000 In Funding For The Affordable Housing Multifamily Emergency Repair Program, To Change The Source Of Program Funding From The Affordable Housing Trust Fund To The Low And Moderate Income Housing Asset Fund

A Resolution Amending Resolution No 86125 C.M.S., Which Authorized \$1,000,000 In Funding For The Affordable Housing Acquisition, Rehabilitation And Preservation Program, To Change The Source Of Program Funding From The Affordable Housing Trust Fund To The Low And Moderate Income Housing Asset Fund

EXECUTIVE SUMMARY

This staff report recommends legislation to appropriate current and future program revenue from the Mortgage Assistance Program to the Low and Moderate Income Housing Asset Fund to fund the development of affordable housing. Also, in order to replace \$1.6 million in program revenue that would have funded the Mortgage Assistance Program, staff further recommends legislation to change the funding source of the Affordable Housing Acquisition, Rehabilitation and Preservation Program, and the Affordable Housing Multifamily Emergency Repair Program from Affordable Housing Trust Fund "boomerang" funds to the Low and Moderate Income Housing Asset Fund, and authorize the use of the boomerang funds freed up in the Affordable Housing Trust Fund to fund Mortgage Assistance Program loans.

Item: _____
CED Committee
September 13, 2016

BACKGROUND / LEGISLATIVE HISTORY

The First-Time Homebuyer Mortgage Assistance Program (MAP) operates jointly with participating lenders to assist low and moderate-income, first-time homebuyers to purchase homes in the City of Oakland. The MAP provides a secured loan of up to \$75,000 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 MAP was established on 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. Low and moderate-income citizens are typically underserved due to the affordability gap between the household income and the purchase prices in the Oakland. Additionally, underwriting criteria such as ratios, down payment, and credit requirements can create obstacles that limit the low and-moderate income household's ability to obtain financing. Lastly, mortgage-financing products designed to provide flexible underwriting criteria are typically more expensive which further increases the affordability gap.

On February 27, 2001, the City Council by Resolution No. 76302 C.M.S approved modifications to the MAP to address issues created by changes in the housing market. Due to funding source restrictions, the program funding source was changed from the U.S. Department of Housing and Urban Development HOME Investment Partnership program to the Redevelopment Agency Low and Moderate Income Housing Fund.

On February 25, 2003, City Council Resolution No 77655 C.M.S. reaffirmed the MAP as a revolving loan program. Funds received from repayment of the loans made under the MAP, that were not otherwise restricted or encumbered were appropriated to provide new loans under the MAP.

The Redevelopment Agency was dissolved on February 1, 2012 and the MAP lost its annual allocation from Agency funds. The First-Time Homebuyer Program continued to make loans utilizing California Housing and Community Development CalHome funds and California Housing and Community Development Local Housing Trust Funds.

The Oakland City Council adopted Resolution No. 83680 C.M.S. on January 10, 2012, electing for the City to retain and assume the housing assets and functions of the Redevelopment Agency as housing successor upon Redevelopment Agency dissolution. The law dissolving redevelopment agencies requires that funds generated from housing assets, including repayments on loan receivables transferred to the City as housing successor, must be deposited into a new City Low and Moderate Income Housing Asset Fund. The MAP loans originated with Redevelopment Agency funds are housing assets now held by the City, with loan repayments required to be deposited into the Low and Moderate Income Housing Asset Fund.

Under State law, funds in the Low and Moderate Income Housing Asset Fund, including loan repayments from the MAP, may only be used for the "development" of affordable housing

occupied by households earning 80 percent or less of the area median income. "Development" is defined as new construction, acquisition and rehabilitation, substantial rehabilitation, the acquisition of long-term affordability covenants on multifamily units, or the preservation of an assisted housing development.

On April 19, 2016, and May 3, 2016, the City Council adopted Ordinance No.13364 C.M.S. and Resolution No. 86124 C.M.S. authorizing the use of "boomerang" fund in the Affordable Housing Trust Funds for mortgage assistance serving households up to 120 percent of area median income. ("Boomerang" funds are the 25 percent share of former redevelopment funds distributed to the City as a taxing entity under the redevelopment dissolution law that are set aside to the Affordable Housing Trust Fund pursuant to City policy.) Resolution No. 86124 C.M.S. also authorized the transfer of \$800,000 from Affordable Housing Trust Fund "boomerang" funds to the MAP. This was intended to supplement program income anticipated to be between \$2 million and \$2.5 million.

ANALYSIS AND POLICY ALTERNATIVES

The MAP has collected approximately \$1.6 million in loan repayments since January 2016. Through prior legislation, the City Council intended for MAP program revenue to be reinvested in the program to make new loans. Under redevelopment law, redevelopment agency Low and Moderate Income Housing Funds could be spent on mortgage assistance for homebuyers earning up to 120 percent of area median income. However, post-redevelopment State law now requires that revenue generated from former redevelopment agency housing assets such as Agency-funded MAP loans be deposited into the City's Low and Moderate Income Housing Asset Fund, which can only fund the "development" of affordable housing and can only serve households up to 80 percent of area median income. Since the definition of "development" under the new law does not seem to encompass mortgage assistance on existing ownership units, the loans offered by the MAP are not an eligible use of Low and Moderate Income Housing Asset Funds. Also, the use of Low and Moderate Income Housing Asset Funds is restricted to households at or below 80 percent of area median income, while the MAP serves households up to 120 percent of area median income. Thus, origination of new mortgage assistance loans under the MAP is not an eligible use of the program income generated from repayment of Redevelopment-funded MAP loans.

During fiscal 2014-15, the MAP originated 51 loans totaling \$2,470,620. During fiscal year 2015-16, the MAP originated 40 loans totaling \$2,458,896 and committed all funds by December 2015. Without program revenue, the program would only originate 13 loans utilizing the \$800,000 transferred from the Affordable Housing Trust Fund in April 2016, and it is anticipated that the funds would be committed within months.

To increase funding to the MAP and the number of households that could benefit from MAP assistance, staff proposes changing the funding source of the Affordable Housing Acquisition, Rehabilitation and Preservation Program and the Affordable Housing Multifamily Emergency Repair Program from Affordable Housing Trust Fund "boomerang" funds to the Low and Moderate Income Housing Asset Fund. These two programs are eligible uses of Low and Moderate Income Housing Asset Funds under state law. This change will make \$1.6 million in "boomerang" funds available in the Affordable Housing Trust Fund for transfer to the MAP to

fund an additional 21 loans. As a result of the proposed change, the program would provide assistance to at least 34 households instead of 13.

The MAP provides an important resource to low and moderate-income community because it bridges that affordability gap and mitigates the risk to the first mortgage lender, which increases access for low and moderate-income households to competitive mortgage terms. The MAP bridges the gap of the growing income inequality by reducing housing cost, which enables low, and moderate-income homebuyers to purchase their first home. Homeownership provides low and moderate-income households long-term stable housing cost and the opportunity to build equity. It improves the climate of a neighborhood by providing a sense of pride that may result in fewer blighted properties and increased investment in the community.

The proposed change will increase funding for the development of affordable housing in the Low and Moderate Income Housing Asset fund by approximately \$2 million annually. In order to compensate for the loss of revenue to MAP program, funds in the amount equivalent to the revenue collected will be allocated, when available, to the MAP as part of the budget process from affordable housing funds that allow first-time homebuyer loans. Funding for the MAP could be limited by the amount of funds available in other funding sources. Since funds will be exchanged, it is anticipated that there will be no impact on the development of affordable housing and limit impact on the funding for the MAP.

FISCAL IMPACT

Available funding in the Low and Moderate Income Housing Asset Fund will be increased by approximately \$1.6 million based on current loan repayments amounts now in the Fund. Funding of two programs currently funded by Affordable Housing Trust Fund "boomerang" funds in the amount of \$1.6 million will be changed to the Low and Moderate Income Housing Asset Fund, making \$1.6 million in "boomerang" funds available to transfer to the MAP. Funds and funding sources will be exchanged which will have a net zero fiscal impact.

PUBLIC OUTREACH / INTEREST

Consistently for the last several years, the MAP has fully committed its funding prior to the end of the fiscal year. The program's capacity is only limited by the amount of available funds. There is a greater demand for the program than resources available.

COORDINATION

The Office of the City Attorney was consulted to ensure legality of resolutions and compliance with funding source constraints. The Controller's Bureau was consulted to confirm funding amounts.

SUSTAINABLE OPPORTUNITIES

Economic: The City's homeownership programs provide opportunities for low- to moderate-income families to build equity. Additionally, the program is structured to provide long-term stable housing cost.

Environmental: The MAP provides assistance to purchase new and existing homes; most of the loans are for existing homes. There are no direct environmental opportunities or consequences as a result of these program changes. Homeownership improves the climate of the neighborhood by providing a sense of pride that may also result in fewer blighted properties.

Social Equity: The proposed changes will provide additional homeownership opportunities for low- to moderate-income families that can assist homeowners with building equity. Homeowners tend to participate in the community contributing to the stability and well-being of those neighborhoods.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt the following resolutions:

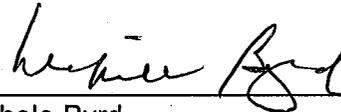
A Resolution Amending Resolution No 77655 C.M.S., Which Appropriated Loan Repayments Under The Mortgage Assistance Program For Continuation Of The Program, To Instead Appropriate Current And Future Loan Repayments To The Low And Moderate Income Housing Asset Fund For The Development Of Affordable Housing, And Appropriating \$1,600,000 In Affordable Housing Trust Funds To The Mortgage Assistance Program

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A Resolution Amending Resolution No 86125 C.M.S., Which Authorized \$1,000,000 In Funding For The Affordable Housing Acquisition, Rehabilitation And Preservation Program, To Change The Source Of Program Funding From The Affordable Housing Trust Fund To The Low And Moderate Income Housing Asset Fund

For questions regarding this report, please contact Norma Thompson, Housing Manager, at 510-238-7137 or Christina Morales, Housing Development Coordinator, at 510-238-6984.

Respectfully submitted,



Michele Byrd
Director, Department of Housing and
Community Development

Reviewed by:
Norma Thompson, Manager of Housing
Development

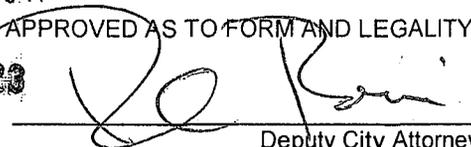
Prepared by:
Christina Morales, Housing Development
Coordinator
Housing Development Services

Item: _____
CED Committee
September 13, 2016

FILED
OFFICE OF THE CITY CLERK
OAKLAND

APPROVED AS TO FORM AND LEGALITY:

2012 SEP - 1 AM 10: 23


Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

RESOLUTION AMENDING RESOLUTION NO 77655 C.M.S., WHICH APPROPRIATED LOAN REPAYMENTS UNDER THE MORTGAGE ASSISTANCE PROGRAM FOR CONTINUATION OF THE PROGRAM, TO INSTEAD APPROPRIATE CURRENT AND FUTURE LOAN REPAYMENTS TO THE LOW AND MODERATE INCOME HOUSING ASSET FUND FOR THE DEVELOPMENT OF AFFORDABLE HOUSING, AND APPROPRIATING \$1,600,000 IN AFFORDABLE HOUSING TRUST FUNDS TO THE MORTGAGE ASSISTANCE PROGRAM

WHEREAS, City Council Resolution No 77655 C.M.S., passed on February 25, 2003, reaffirmed the First-Time Homebuyer Mortgage Assistance Program as a revolving loan program; and

WHEREAS, under the Resolution, funds received from repayments of the loans made under the Mortgage Assistance Program that were not otherwise restricted or encumbered were appropriated to provide new loans under the Mortgage Assistance Program; and

WHEREAS, the Oakland City Council adopted Resolution No. 83680 C.M.S. on January 10, 2012, electing for the City to retain and assume the housing assets and functions of the Redevelopment Agency pursuant to Health & Safety Code Section 34176 upon Redevelopment Agency dissolution; and

WHEREAS, the Redevelopment Agency dissolved on February 1, 2012;
and

WHEREAS, loans made from Redevelopment Agency funds under the Mortgage Assistance Program are housing assets retained and assumed by the City of Oakland; and

WHEREAS, funds generated from housing assets, including repayments on loan receivables transferred to the City as housing successor, must be deposited into a separate Low and Moderate Income Housing Asset Fund under Health & Safety

Code Section 34176(d); and

WHEREAS, funds in the Low and Moderate Income Housing Asset Fund may only be used for the development of affordable housing occupied by households earning 80% or less of the area median income under Health & Safety Code Section 34176.1(a)(3)(A); and

WHEREAS, "development" is defined under Health & Safety Code Section 34176.1(a)(3)(A) as new construction, acquisition and rehabilitation, substantial rehabilitation, acquisition of long-term affordability covenants on multifamily units, and the preservation of an assisted housing development, and does not expressly include mortgage assistance as an eligible use of Low and Moderate Income Housing Asset Funds; and

WHEREAS, the Mortgage Assistance Program makes loans to households up to 120% of area median income, while funds in the Low and Moderate Income Housing Asset Fund are restricted to serving households at or below 80% of area median income; and

WHEREAS, there is \$629,038.05 of housing assets appropriated to the Mortgage Assistance Program in the Oakland Redevelopment Agency Grants Fund (2185), Homeownership Programs Organization (89989), First-time Homebuyer Mortgage Assistance Program Loan Repayments Project (P41710); and

WHEREAS, there is \$1,525,000 of program revenue collected to date from loan repayments in Mortgage Assistance Program in the Oakland Redevelopment Agency Grants Fund (2185), Municipal Lending Organization (89939), First-time Homebuyer Mortgage Assistance Program Loan Repayments Project (P41710); and

WHEREAS, Council is considering a resolution that would change the funding allocation for the Affordable Housing Acquisition, Rehabilitation and Preservation Program and the Affordable Housing Multifamily Emergency Repair Program from the Affordable Housing Trust Fund (1870) to the Low and Moderate Income Housing Asset Fund (2830), making up to \$1,600,000 available to fund Mortgage Assistance Program loans from the Affordable Housing Trust Fund; and

WHEREAS, Council wishes to reappropriate existing loan repayments and future loan repayments under the Mortgage Assistance Program to the Low and Moderate Income Housing Asset Fund (2830) for the development of affordable housing, and appropriate the equivalent amount of existing loan repayments from the Affordable Housing Trust Fund (1870) to replace the Mortgage Assistance Program revenue now required to be appropriated to the Low and Moderate Income Housing Asset Fund; now, therefore, be it

RESOLVED: That the City Council hereby amends Resolution No 77655 C.M.S. to delete the description of the Mortgage Assistance Program as a revolving loan

fund, and to reappropriate \$629,000 in current repayment amounts from Mortgage Assistance Program loans from Oakland Redevelopment Agency Grants Fund (2185), Homeownership Programs Organization (89989), First-time Homebuyer Mortgage Assistance Program Loan Repayments Project (P41710) and up to \$2,100,000 from Oakland Redevelopment Agency Grants Fund (2185), Homeownership Programs Organization (89939), First-time Homebuyer Mortgage Assistance Program Loan Repayments Project (P41710) to the Low and Moderate Income Housing Asset Fund (2830) (Housing Development Project (P473610), Housing Development Organization (89929) for housing development activities; and be it

FURTHER RESOLVED: That the City Council hereby amends Resolution No 77655 C.M.S. to appropriate future repayments of Mortgage Assistance Program loans to the Low and Moderate Income Housing Asset Fund (2830) (Housing Development Project (P473610), Housing Development Organization (89929)) for housing development activities; and be it

FURTHER RESOLVED: That the City Council authorizes the appropriation of \$1,600,000 in funds distributed to the City as a taxing entity under the redevelopment dissolution law from the Affordable Housing Trust Fund (1870), Housing and Community Development Organization (89929), Housing Development Project (P435210) to the Affordable Housing Trust Fund (1870), Housing and Community Development Organization (89929) First Time Homebuyer Program Project (P489520) as replacement program funding.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, and
PRESIDENT GIBSON MCELHANEY

NOES-

ABSENT-

ABSTENTION-

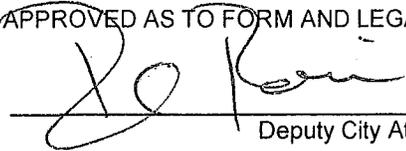
ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2016 SEP -1 AM 10: 23

APPROVED AS TO FORM AND LEGALITY:



Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

RESOLUTION AMENDING RESOLUTION NO 86126 C.M.S., WHICH AUTHORIZED \$600,000 IN FUNDING FOR THE AFFORDABLE HOUSING MULTIFAMILY EMERGENCY REPAIR PROGRAM, TO CHANGE THE SOURCE OF PROGRAM FUNDING FROM THE AFFORDABLE HOUSING TRUST FUND TO THE LOW AND MODERATE INCOME HOUSING ASSET FUND

WHEREAS, City Council Resolution No 86126 C.M.S., passed on April 19, 2016, authorized the City Administrator or his or her designee to establish the Affordable Housing Multifamily Emergency Repair Program to fund loans to owners of existing affordable multifamily housing developments to assist in addressing immediate health and safety issue to prevent substandard housing conditions; and

WHEREAS, \$600,000 was allocated for fiscal year 2016-17 from the Affordable Housing Trust Fund (1870) Housing Development Organization (89929), Housing Trust Fund Housing Development Project (P435210) to the Program; and

WHEREAS, Council is considering a resolution that would appropriate current and future program revenue from the Mortgage Assistance Program to the Low and Moderate Income Housing Asset Fund (2830); and

WHEREAS, Council wishes to change the source of Program funds to make funding available to the Mortgage Assistance Program from the Affordable Housing Trust Fund; and

WHEREAS, the Low and Moderate Income Housing Asset Fund is an eligible source of Program funding since the Program will improve and preserve the City's supply of housing affordable to households with incomes at or below 80% of area median income; now, therefore, be it

RESOLVED: That the City Council hereby amends Resolution No 86126 C.M.S. to provide that the \$600,000 allocated to the Affordable Housing Multifamily Emergency Repair Program for fiscal year 2016-17 from Affordable Housing Trust Funds (1870) Housing Development Organization (89929), Housing Trust Fund Housing Development Project (P435210) will instead be allocated from the Low and Moderate Income Housing Asset Fund (2830) (Housing Development Project (P473610), Housing Development Organization (89929)).

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, and
 PRESIDENT GIBSON MCELHANEY

NOES-

ABSENT-

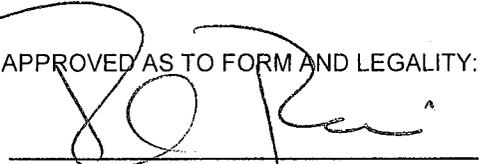
ABSTENTION-

ATTEST: _____
 LaTonda Simmons
 City Clerk and Clerk of the Council
 of the City of Oakland, California

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2016 SEP -1 AM 10:23

APPROVED AS TO FORM AND LEGALITY:


Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

RESOLUTION AMENDING RESOLUTION NO 86125 C.M.S., WHICH AUTHORIZED \$1,000,000 IN FUNDING FOR THE AFFORDABLE HOUSING ACQUISITION, REHABILITATION AND PRESERVATION PROGRAM, TO CHANGE THE SOURCE OF PROGRAM FUNDING FROM THE AFFORDABLE HOUSING TRUST FUND TO THE LOW AND MODERATE INCOME HOUSING ASSET FUND

WHEREAS, City Council Resolution No 86125 C.M.S., passed on April 19, 2016, authorized the City Administrator or his or her designee to establish the Affordable Housing Acquisition, Rehabilitation and Preservation Program to fund (1) loans to developers or owners of affordable housing to assist in the acquisition and/or rehabilitation of existing multifamily housing properties for use as affordable housing, (2) loans to developers of affordable housing to assist in the acquisition of land or nonresidential properties for development as affordable housing, and/or (3) loans to developers or owners of affordable housing to acquire and/or preserve restricted affordable housing or acquire affordability covenants on unrestricted housing that is otherwise affordable and in imminent risk of loss; and

WHEREAS, \$1,000,000 was allocated for fiscal years 2015-16 and 2016-17 from the Affordable Housing Trust Fund (1870) Housing Development Organization (89929), Housing Trust Fund Housing Development Project (P435210) to the Program; and

WHEREAS, Council is considering a resolution that would appropriate current and future program revenue from the Mortgage Assistance Program to the Low and Moderate Income Housing Asset Fund (2830); and

WHEREAS, Council wishes to change the source of Program funds to make funding available to the Mortgage Assistance Program from the Affordable Housing Trust Fund; and

WHEREAS, the Low and Moderate Income Housing Asset Fund is an eligible source of Program funding since the Program will increase, improve and preserve

the City's supply of housing affordable to households with incomes at or below 80% of area median income; now, therefore, be it

RESOLVED: That the City Council hereby amends Resolution No 86125 C.M.S. to provide that the \$1,000,000 allocated to the Affordable Housing Acquisition, Rehabilitation and Preservation Program for fiscal years 2015-2016 and 2016-17 from Affordable Housing Trust Fund (1870) (Housing Development Organization (89929), Housing Trust Fund Housing Development Project (P435210)) will instead be allocated from the Low and Moderate Income Housing Asset Fund (2830) (Housing Development Project (P473610), Housing Development Organization (89929)).

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, and
 PRESIDENT GIBSON MCELHANEY

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California