

CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2008 OCT -1 PM 5: 19

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: October 14, 2008

RE: **Resolution Authorizing The City Administrator to Apply For and Accept Funds From The Housing and Economic Recovery Act of 2008 (H.R. 3221) From The U.S. Department of Housing and Urban Development and The State of California.**

SUMMARY

This item is a request for City Council approval of a resolution authorizing the City Administrator to apply for and accept funds from the Housing and Economic Recovery Act of 2008 (H.R. 3221) from the U.S. Department of Housing and Urban Development (HUD) and the State of California.

FISCAL IMPACT

This report has no fiscal impact at this time. When the City of Oakland receives notification from HUD on the amount of funds allocated, staff will come back to Council and request appropriation of the funds.

BACKGROUND

On July 30, 2008, President Bush signed into law the Housing and Economic Recovery Act of 2008 (H.R. 3221). H.R. 3221 contains three major components of significant housing legislation that will address a number of items.

Federal Housing Finance Regulatory Reform Act of 2008

This legislation strengthens and modernizes the regulation of the housing government-sponsored enterprises (GSE) – Fannie Mae and Freddie Mac (the enterprises) and the Federal Home Loan Banks (FHLBs or Banks) – and expands the housing mission of these GSEs. In addition it creates a new program at the Federal Housing Administration (FHA) that will help at least 400,000 families save their homes from foreclosure by providing new FHA loans after lenders take deep discounts.

HOPE for Homeowners Act of 2008

This creates a new, temporary, voluntary program within FHA to back FHA-insured mortgages to distressed borrowers. The new mortgages offered by FHA- approved lenders will refinance distressed loans at a significant discount for owner-occupants at risk of losing their homes to foreclosure. In exchange, homeowners will share future appreciation with FHA.

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Foreclosure Prevention Act of 2008

This addresses the problems faced by families and their communities in light of the foreclosure crisis.

KEY ISSUES AND IMPACTS

Homes that have been foreclosed upon and are sitting unoccupied lead to declines in neighboring housing values, increased crime and significant disinvestment. To ensure that communities can mitigate these harmful effects of foreclosures, as part of HR 3221, \$3.92 billion is provided to communities hardest hit by foreclosures and delinquencies. These funds are entitled the Community Development Block Grant (CDBG) Neighborhood Stabilization funds and will be supplemental to the CDBG Funds.

The eligible uses of the funds are as follows:

1. Financing mechanisms for homebuyer purchase and redevelopment of foreclosed homes and residential properties.
2. Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent, or redevelop such homes and properties.
3. Establishment of land banks for homes that have been foreclosed upon.
4. Demolition of blighted structures.
5. Redevelopment of demolished or vacant properties.

Any revenues realized from this program in the first five (5) years shall be used in a manner consistent with the Housing Act. After the first five (5) years, revenue from this program shall be returned to the U.S. Treasury.

The funds will be provided with the following requirements and limitations:

1. Funds must be used (obligated) within 18 months of receipt
2. Funds must be used to purchase and redevelop abandoned and foreclosed homes and residential properties
3. Priority emphasis and consideration must be given to low and moderate income areas with the greatest need, including those
 - With the greatest percentage of home foreclosures
 - With the highest percentage of homes financed by a subprime mortgage related loan
 - Identified as likely to face a significant rise in the rate of home foreclosures
4. Funds must be used to assist households whose incomes do not exceed 120 percent of area median income (AMI).
5. Not less than 25 percent of the funds must be used to assist households whose income does not exceed 50 percent AMI.
6. Funds can not be used to support any project that seeks to use the power of eminent domain, unless eminent domain is employed only for a public use.

7. Any purchase of a foreclosed upon home or residential property shall be at a discount from the current market appraised value and the homebuyer shall pay a below market price for the home.
8. Rehabilitation shall be to the extent necessary to comply with applicable codes and to make the homes habitable. Funds may be used for energy efficiency.
9. Sales of the property shall be in an amount less than or equal to the cost to purchase and rehabilitate the home.

HUD will release the notice implementing the \$3.92 billion in CDBG neighborhood stabilization funds in the Federal Register on September 29. The City of Oakland will not know the amount of its allocation until September 29th, the release of the formula allocation. The federal criteria for the allocation formula is as follows:

1. The number and percentage of home foreclosures
2. The number and percentage of homes financed by sub prime mortgages; and
3. The number and percentage homes in default or delinquency.

SUSTAINABLE OPPORTUNITIES

Economic: As noted in the report, these CDBG funds be for the purpose of addressing the problems faced by families and their communities in light of the foreclosure crisis and to ensure communities can mitigate the harmful effects of foreclosures.

Environmental: The activities funded address such issues as removal of blight and the abatement of environmental hazards such as lead-based paint and other hazardous building conditions. Housing rehabilitation programs encourage contractors to use green building techniques, including energy-efficient design, use of recycled building materials, and water-conserving fixtures and landscaping.

Social Equity: As noted in the report, these funds must be used to assist households whose incomes do not exceed 120 percent of the area median income.

DISABILITY AND SENIOR CITIZEN ACCESS

These funds do not provide specific benefits or programs for disabled or senior citizens; however, if these individuals are in danger of losing their homes, assistance will be available to them.

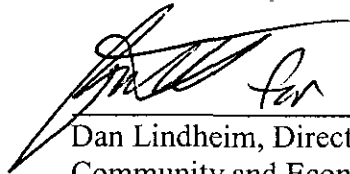
RECOMMENDATION AND RATIONALE

HUD will have a window period of thirty (30) days from the date of notification of funding allocations to award and distribute the funds. HUD has recommended that jurisdictions have in place the appropriate approvals to accept the funds and sign grant agreements. Therefore, staff recommends that the City Council approve a resolution authorizing the City Administrator to apply for and accept funds from The Housing and Economic Recovery Act of 2008 (H.R. 3221) from the U.S. Department of Housing and Urban Development (HUD) and The State of California.

ACTION REQUESTED OF THE CITY COUNCIL

The Community and Economic Development Agency requests that the City Council accept this report and approve a resolution authorizing the City Administrator to apply for and accept funds from The Housing and Economic Recovery Act of 2008 (H.R. 3221) from the U.S. Department of Housing and Urban Development (HUD) and The State of California.

Respectfully submitted,

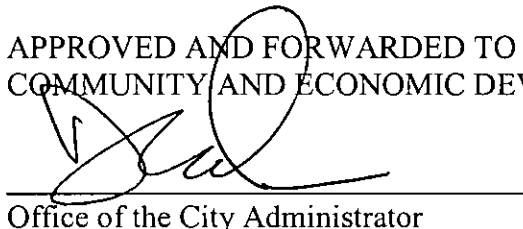


Dan Lindheim, Director
Community and Economic Development Agency

Reviewed By:
Sean Rogan, Deputy Director
Housing & Community Development

Prepared By:
Michele Byrd,
CDBG Program Manager

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the City Administrator

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CED Committee
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OAKLAND

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APPROVED AS TO FORM AND LEGALITY:

Margaret Fujita
DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO APPLY FOR AND ACCEPT FUNDS FROM THE HOUSING AND ECONOMIC RECOVERY ACT OF 2008 (H.R. 3221) FROM THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND THE STATE OF CALIFORNIA.

WHEREAS, on July 30, 2008, President Bush signed into law the Housing and Economic Recovery Act of 2008 (H.R. 3221); and

WHEREAS, a part of H.R. 3221 provides \$3.92 billion in Community Development Block Grant (CDBG) Neighborhood Revitalization funds for communities to purchase foreclosed homes; and

WHEREAS, HUD will release the implementation notice and the formula allocation of the CDBG Neighborhood Revitalization funds in the Federal Register on September 29, 2008; and

WHEREAS, allocation of the funding will go directly to entitlement jurisdictions and to States; and

WHEREAS, HUD has allotted thirty (30) days from the date of notification of funding allocations to award and distribute funds; and

WHEREAS, the City desires to accept grants from HUD and from the State of California for H.R. 3221; now, therefore, be it

RESOLVED: That the City Council hereby authorizes and directs the City Administrator, to apply for and accept funds from HUD and the State of California, consistent with the requirements set forth in the implementation notice; and be it

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FURTHER RESOLVED: That the City Council hereby authorizes and directs the City Administrator to take any actions necessary to execute and submit the documents required by HUD or the State of California to secure approval of the City's application for funds.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20_____

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