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Approved as to Substance & Form
DRAFT
City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

INTRODUCED BY COUNCIL MEMBERS DESLEY BROOKS, NOEL GALLO, & LARRY REID

RESOLUTION RECOGNIZING THE DEVASTATING EFFECT OF THE FORECLOSURE CRISIS ON LOCAL COMMUNITIES, SUPPORTING THE CITY OF RICHMOND'S STRATEGY OF LOCAL PRINCIPLE REDUCTION TO ASSIST HOMEOWNERS IN RISK OF FORECLOSURE REMAIN IN THEIR HOMES, AND DECLARING OAKLAND'S INTENTION TO STUDY WHETHER IT SHOULD EMBARK UPON A SIMILAR STRATEGY.

WHEREAS, The financial crisis has devastated local communities as nine million Americans have lost their jobs, 10 million families have owed more on their mortgages than their homes are worth, and state and local governments have faced crippling budget crises; and

WHEREAS, The City of Richmond, California was particularly hard hit by the foreclosure crisis, where roughly half of all homeowners with mortgages in the City are underwater, meaning the homeowner owes more on his or her mortgage than the home is worth; and

WHEREAS, Homeowners who are severely underwater on their mortgages are 150% to 200% more likely to default on their mortgages; and

WHEREAS, The foreclosure prevention efforts that have been implemented thus far at the local, state, or federal levels have failed to adequately address the crisis; and

WHEREAS, The City of Richmond is boldly advancing a Local Principal Reduction program to acquire underwater mortgages in private label securities at their current market values and then refinance the new loans with reduced principal in order to bring the mortgages in line with current market values; and

WHEREAS, The City of Richmond is offering to purchase the loans at fair market value, but may consider using eminent domain to acquire the loans if its offers are not accepted; and

WHEREAS, The City of Richmond would pay fair market value to the investors of the underwater mortgages even if it used eminent domain to acquire them; and

WHEREAS, The City of Richmond's use of eminent domain to acquire underwater mortgages would serve the public purpose of preventing blight and preserving the community and tax base, and

WHEREAS, Wall Street banks and the financial industry's leadership have chosen to threaten the City of Richmond and other cities who are working on this innovative program with retribution if they move forward with their plans in an effort to bully local communities into backing off from utilizing the legal mechanisms at their disposal to address the crisis and to prevent further devastation, now, therefore, be it

RESOLVED, That the Oakland City Council stands united with the Mayor and City Councilmembers of Richmond and any other city or community that attempts to utilize similar lawful methods at their disposal as they work to save homes and save neighborhoods; and be it

FURTHER RESOLVED, That the Oakland City Council calls on Wall Street banks, the Securities Industry and Financial Markets Association (SIFMA), and the Federal Housing Finance Administration which oversees Fannie Mae and Freddie Mac, to stop threatening communities with reprisals and litigation and instead work with them to negotiate principal reduction for underwater mortgages to current market values in order to stop the housing crisis, strengthen local economies and help keep families in their homes; and, be it

FURTHER RESOLVED, that as a first step towards exploring the potential applicability of the Richmond strategy to Oakland, the City Council will consider research from an outside expert provided at no cost, provide the City Council with an analysis that includes: 1) the number of underwater mortgage loans in Oakland that are held in Private Label Security trusts, 2) the amount of mortgage principal reduction that could potentially be provided to homeowners as a result of implementing a strategy similar to the one that the City of Richmond is advancing, and 3) the potential benefit to the community and local economy if such a strategy were to be advanced in Oakland.

FURTHER RESOLVED, That, after receiving a report from the outside expert, the Council will ask the City Attorney to assess any legal risks to the City if it were to pursue the strategy; and, be it

FURTHER RESOLVED, That before any policy change or administrative action which encourages the use of eminent domain for properties undergoing foreclosure is implemented the Council will hold a hearing to consider this policy or action.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS GALLO GIBSON-MCELHANEY, KALB, KAPLAN , REID,
SCHAAF
and PRESIDENT KERNIGHAN

NOES

ABSENT

ABSTENTION

ATTEST _____

LaTondaSimmons
City Clerk and Clerk of the Council
of the City of Oakland, California