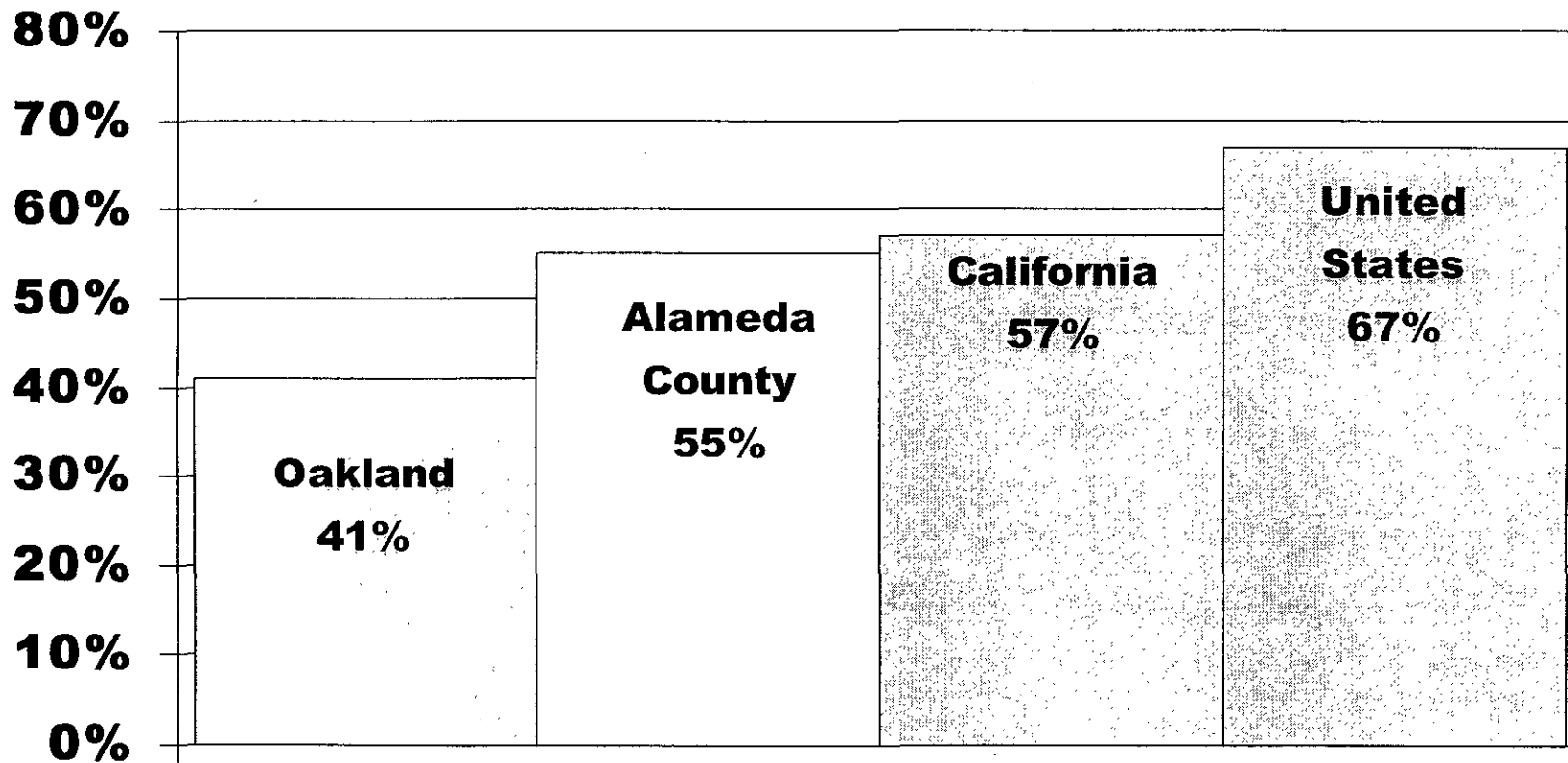


**AN INTRODUCTION TO THE
*AFFORDABLE HOMES FOR
OAKLANDERS PLAN (A.H.O.P.)***

**Sponsored by Council Members
De La Fuente, Brooks and Chang**

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Oakland's Homeownership Rate is Exceptionally Low



2000 Homeownership Rate

Why Does the Homeownership Rate Matter?

- Homeownership creates financial security for families.
- Homeownership benefits public schools and neighborhoods.

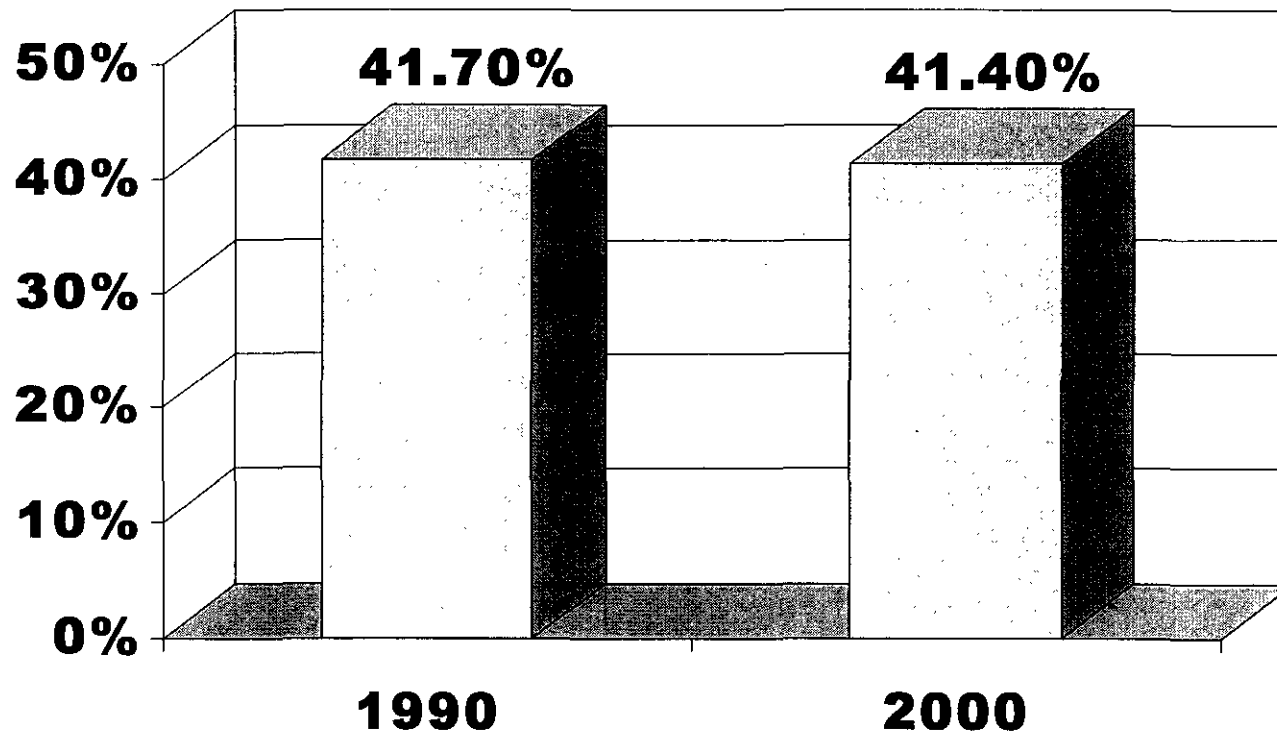
Our Vision

Reaching 50% Homeownership:
*Thousands of Oakland Renters
Will Become Homeowners*

The City's Existing Tools To Encourage Homeownership:

- ✓ Downpayment assistance
- ✓ Homebuyer financial education
- ✓ Low-Interest loans for new construction

Existing Tools Have Not Increased Homeownership Rate



Oakland Homeownership Rate

Source: 1990 and 2000 U.S. Census. More recent accurate figures are not available.

Increasing Homeownership is the City of Oakland's Policy

City of Oakland Housing Policy (1993 Council Resolution)

- “The City of Oakland will encourage homeownership to the fullest extent feasible.”

Housing Element of City's General Plan (2004)

- “The City might consider modifications to the Condominium Conversion Ordinance to provide more opportunities for affordable home ownership, especially to allow existing tenants to purchase their rental units.”

Consolidated Plan for Housing and Community Development Strategies (2005)

- “Expansion of the Supply of Affordable Ownership Housing”
- “Expansion of Ownership Opportunities for First Time Homebuyers”

Another Tool is Needed to Ensure More Oakland Renters Become Homeowners

- ✓ Downpayment assistance
- ✓ Homebuyer financial education
- ✓ Low-Interest loans for new construction
- ✓ ***Affordable Homes for Oaklanders Plan:
Converting Rental Units to Homeownership***

Shortcomings of Existing Conversion Ordinance (Adopted 1981)

- Currently, building owners pay fees to other developers (“conversion rights”) – this creates no money for affordable housing.
- Currently, most small buildings (2-4 units) are not required to obtain “conversion rights”.
- Currently, there is no annual limit on the number of conversions.
- Currently, tenants get no meaningful discount to buy their units.

Affordable Homes for Oaklanders Plan **Will Improve Existing Ordinance By:**

1. Limiting Conversions
2. Increasing Tenant Benefits
3. Generating Funds for Affordable Housing
4. Requiring an Annual Study and Report

Affordable Homes for Oaklanders Plan: **1) Limiting The Conversions**

- The number of conversions has been increasing each year in Oakland.
- A.H.O.P will limit annual conversions in Oakland for the first time.

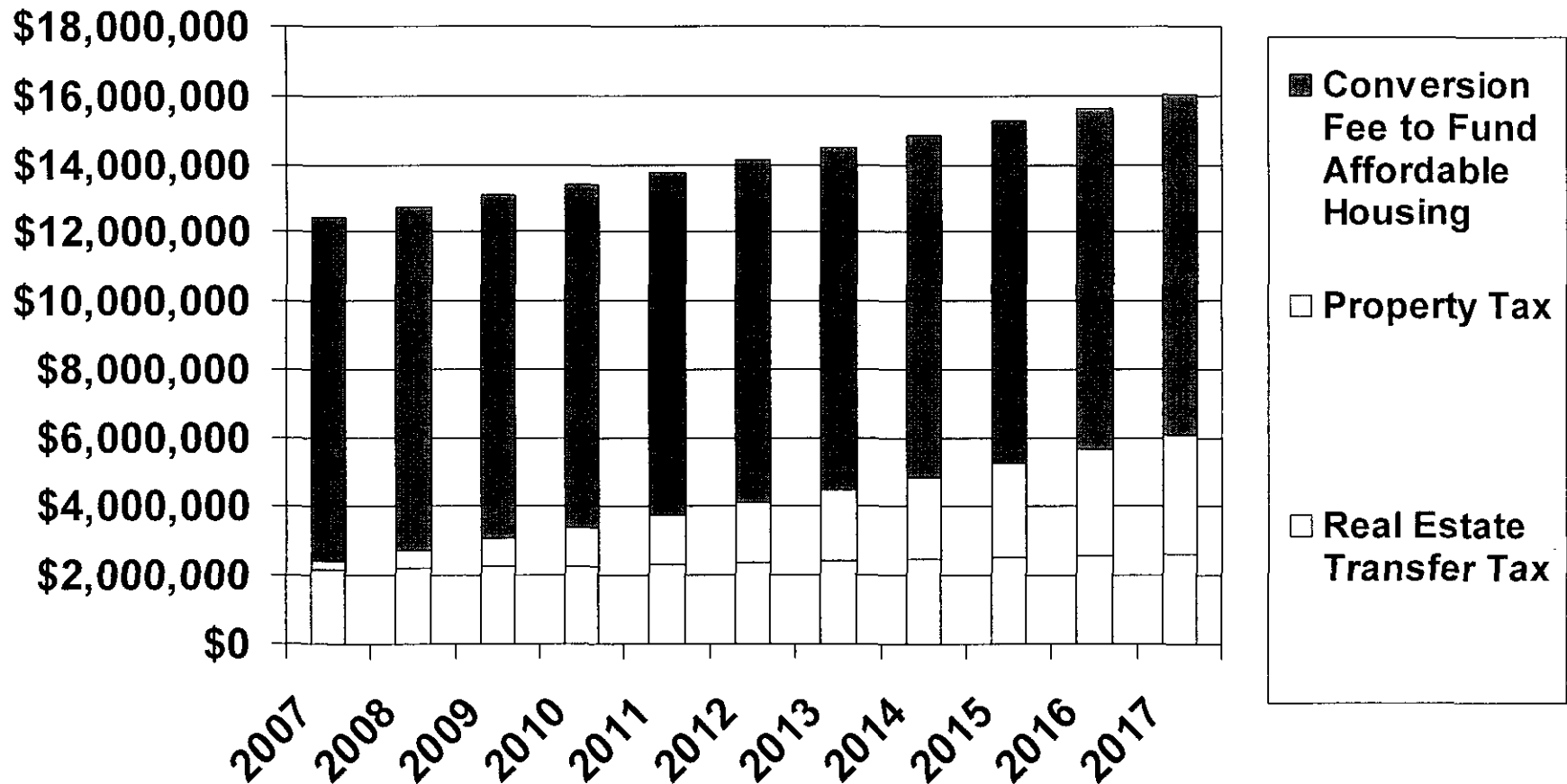
Affordable Homes for Oaklanders Plan: **2) Increasing Tenant Benefits**

- Tenants will get a significant discount to buy their unit.
- Tenants who do not purchase will receive cash equal to 6 months of rent.
- Seniors over age 62 will continue to get lifetime leases.
- Tenants will get free homebuyer education.

Affordable Homes for Oaklanders Plan: **3) Generating Affordable Housing Funds**

- Generates millions of dollars every year for a new Affordable Housing Trust Fund
- Building owner would pay \$12,500 per unit on average (\$3,000 per room in “impact area”, \$2,000 elsewhere)
- Funds will increase downpayment assistance and construction/renovation of affordable housing for Oaklanders.

Revenues Will Grow Each Year for Affordable Housing and City Services



In 2006 dollars. Assumes average sale price of \$300,000.

Affordable Homes for Oaklanders Plan: **4) Requiring an Annual Study/Report**

Annual Report to Council to determine:

- Increase in City's homeownership rate
- Number and location of conversions
- Number of tenants who buy their units
- Funds generated and how they are allocated by the City for affordable housing

The report will provide opportunities to make additional improvements to the ordinance.

How Could *Affordable Homes for Oaklanders Plan* Benefit Our City?

- Enable thousands of Oaklanders to become homeowners.
- Double annual dollars for affordable housing
- Create opportunities to own a home in neighborhoods throughout Oakland.
- Create supply of more affordable homes for Oakland's workforce.

Public Process With Many Opportunities For Discussion

- Planning Commission Meetings
- City Council Committee Meetings
- Full City Council Meetings

- This process started 3 years ago (January 2004) when the Planning Commission considered an update to the 1980's ordinance.

**Reponses to Key Concerns Raised
at October 18 and November 1
Planning Commission Meetings**

99% of Oakland's Renter Households Would Not Be Affected By Conversion

- This homeownership proposal would impact less than 1% of the City's 88,000 rental units annually.
- Over 26,929 rental units in Oakland are ineligible for conversion:
 - 3,308 Oakland Housing Authority (OHA) housing units (low-income)
 - 496 Section 8 mod-rehab units (low-income)
 - 6,690 Privately-owned assisted housing (low-income)
 - 16,132 Single family homes that are rented (many low-income)
 - Thousands of additional units receiving City or Federal subsidies. (low-income)
- Of the 1% potentially affected...
 - many will become homeowners.
 - all households with seniors are eligible for lifetime leases for their unit.
 - 10,871 low-income Oakland households receive Section 8 vouchers to pay fair market rents.

Amendments Proposed in Response to Key Concerns at Planning Commission

Existing Law	Sept.28 Proposal	Amended Proposal
No annual conversion cap	1,500 annual conversion cap	800 annual conversion cap
No required discount for tenants to purchase unit	5% required discount to tenants to purchase unit	10% required discount to tenants to purchase unit
No required closing cost assistance	No required closing cost assistance	Building owner pays certain closing costs up to \$15,000
Building owners pay developers – no funds for affordable housing	New Conversion Fee option paid to new Affordable Housing Trust Fund for Oakland residents	New Conversion Fee will increase each year with inflation
Small building (2-4 units) exempt from requirement to buy conversion rights	Small buildings required to pay new conversion fee	Small buildings, outside Impact Area, exempt from new requirements under certain conditions.

33,000 Oakland Renters Can Afford to Become Homeowners

- 33,000 Oakland renter households make at least \$50,000 – the income needed to own a \$300,000 home with only the 10% A.H.O.P. discount.
- Thousands more Oakland renters can buy using:
 - New Affordable Housing Trust Fund
 - City Mortgage Assistance Program – \$75,000
 - American Dream Downpayment – 6% of purchase price
 - California HFA Programs – approximately \$30,000
 - Barbara Lee's new W.O.W. Program - \$100,000
 - Individual Development Accounts and other savings

Estimate based on 5% 30-yr fixed CalHFA mortgage, 3% downpayment, \$225/mo HOA fees, 1.3% property tax, 0.86% mortgage insurance, 45% income spent on housing, 10% tenant discount, net tax benefit based on single household. Assuming no tax benefit, nearly 28,000 renters could still afford a 300K home. Incomes from 2000 US Census. adjusted w/Dept. Labor Employment Cost Index.

Homeownership Can Be More Affordable Than Renting

Home Sales Price	\$300,000	\$375,000
AHOP 10% Tenant Discount	\$30,000	\$37,500
City, State and/or Federal Assistance	\$123,500	\$123,500
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Mortgage Payment	\$738/mo	\$1,088/mo
Property Tax	\$325/mo	\$406/mo
HOA Dues (incl. homeowners insurance)	\$225/mo	\$225/mo
Net Tax Benefit From Itemizing Deductions	-\$156/mo	-\$220/mo
Net Monthly Cost	\$1,132/mo	\$1,499/mo

Average Market Rent in City of Oakland

\$1,339/mo

Estimates based on 5% 30-yr fixed rate CalHFA mortgage, 3% downpayment, \$225/mo. HOA fees, 1.3% property tax, 10% discount on unit, assistance from City and State. Tax benefit from itemizing deductions and City and State assistance assumes single householder earning 80% AMI (\$46,350). Average rent from 3rd Quarter 2006 in Oakland. RealFacts, Inc.



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End of Presentation