



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2016 JUL -8 AM 10:48 **AGENDA REPORT**

TO: Sabrina B. Landreth
City Administrator

FROM: Claudia Cappio
Assistant City Administrator

SUBJECT: Policy Framework for Anti-
Displacement and Affordable Housing
Component of Proposed Infrastructure
Bond

DATE: July 7, 2016

City Administrator Approval

Date:

7/8/16

RECOMMENDATION

Staff Recommends the City Council:

Direct The City Administrator To Prepare The Affordable Housing Bond Law Ordinance, Consistent With The Anti-Displacement And Affordable Housing Framework, For Adoption By City Council

REASON FOR SUPPLEMENTAL

At the June 14, 2016 Finance and Public Works Committees, staff was requested to return with additional information about the Affordable Housing Bond Law ordinance that is referenced in the bond legislation, and specifically that the framework for the ordinance be presented as the City Council considers the bond legislation itself. This item provides that framework and recommends that the City Council direct staff to return with an ordinance consistent with that framework for the City Council to adopt.

EXECUTIVE SUMMARY/BACKGROUND

City Councilmembers discussed the proposed bond and heard from many members of the public at the Finance and Public Works Committees on March 22, May 24 and June 14, 2016. As City Council members requested, the framework described in this report establishes the principles of the Anti-Displacement and Affordable Housing Bond Law ordinance, which is required per Section 9 of the Bond Resolution, which states that "[t]he City shall issue the bonds pursuant to the rules and procedures established by City Affordable Housing Bond Law."

The framework prioritizes strategies to help long-term Oakland residents and their families stay in the places and neighborhoods that they have called home. It helps preserve Oakland's diverse communities and addresses the destabilizing displacement effects resulting from the housing crisis. Additionally, it prioritizes strategies that increase the supply of affordable housing for those most vulnerable to displacement, including extremely and very low-income renters, seniors, veterans, and people with disabilities.

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In addition to Oakland's proposed Infrastructure Bond, Alameda County will be asking voters to pass a \$580 million General Obligation Bond for Housing in November 2016. If passed, it will provide an estimated \$89 million for construction of new affordable housing and other eligible uses in Oakland. Oakland's Infrastructure Bond has been designed to complement the County's Housing Bond by prioritizing resources for protecting vulnerable Oaklanders from being displaced from their current homes, while the County Bond focuses on financing new affordable housing construction.

ANALYSIS

Anti-Displacement and Affordable Housing Bond Law Framework

The following sections describe the recommended framework for the Affordable Housing Bond Law Ordinance that is required by the bond legislation. Staff will return with an ordinance for adoption that is consistent with this framework.

Prioritization

The top priority for Anti-Displacement and Affordable Housing funds will be protecting vulnerable Oaklanders from being displaced from their homes.

If both the County Housing Bond and City Infrastructure Bond pass, the County Bond's approximately \$89 million in Oakland proceeds will be used for new construction and other eligible expenditures, while the City's bond funds for Anti-Displacement and Affordable Housing will be used for preservation and rehabilitation investments that protect existing affordable housing and bring other existing housing stock under affordability protection. These uses of the City bond funds will apply for the first three years from the date of bond passage. If the County Housing Bond does not pass in November 2016, the City Council should immediately determine the most appropriate mix of eligible expenditures to address anti-displacement and long-term affordability goals. Additionally, if after three years from the date of passage, market conditions or the availability of properties causes rehabilitation and preservation efforts to slow, the Council should determine the appropriate mix of eligible expenditures to address anti-displacement and long-term affordability goals at that time.

The top priority for the City's Anti-Displacement and Affordable Housing bond funds is protecting vulnerable Oaklanders from being displaced from their homes.

Eligible Expenditures

The Anti-Displacement and Affordable Housing bond funds may be spent on the acquisition and/or rehabilitation, or new construction of affordable housing as set forth in the Affordable Housing Bond Law Ordinance.

The City may apply bond proceeds designated for affordable housing projects directly to acquire, rehabilitate, preserve or construct affordable housing and/or indirectly as loans, grants, or other disbursements to qualified individuals, non-profit business entities, corporations, partnerships, associations, and government agencies for such affordable housing projects. In

order to help Oaklanders remain in the City and bring the housing stock to habitability standards, the Housing Bond Law shall include policies that prohibit Section 8 discrimination and reduce barriers for formerly incarcerated and people who are undocumented.

The following activities would be eligible uses of Anti-Displacement Affordable Housing Bond funds:

1. Protect Existing Homes (Rental)

- Purchase and rehabilitate properties that are currently affordable to low-income households because of their age, declining condition, and location, and establish long-term affordability requirements.
- Expiring use properties — acquire and rehabilitate rental properties that have expiring subsidy contracts or regulatory agreements making them high-risk for conversion to market rents, and extend or establish long-term affordability requirements.

2. Protect Existing Homes (Home Ownership)

- Acquire and rehabilitate unrestricted for-sale housing and ensure permanent affordability through shared equity models such as deed restrictions and community land trusts.

3. Protect Existing Homes (Rental and/or Ownership)

- Finance the acquisition and/or rehabilitation, and improvements to vacant and blighted properties to address health and safety concerns, correct code violations, and return uninhabitable properties to the city's housing stock as long-term affordable housing.
- Support the purchase of tax-default properties eligible for Chapter 8 purchases from Alameda County for use as permanently affordable housing.

4. Homeowner Assistance

- Assist low-income, senior, and disabled homeowners living in hazardous housing conditions and/or at risk of losing their homes due to deferred maintenance (pending eligible use analysis by Bond Counsel).

5. New Construction (Rental and/or Ownership)

- Finance the development and construction of new affordable rental and homeownership housing.

Program Details

Acquisition and Rehabilitation Program

Description:

The goal of an acquisition/rehab program is to preserve, increase, and improve the supply of affordable housing available in the City by assisting non-profit and for-profit developers to remove properties from the market, renovate them, and restrict their rents or sales prices for long-term affordability. Ideally, these funds can be used for property acquisition and holding costs, rehabilitation costs, and all soft costs associated with these processes, including environmental assessments, appraisals, legal costs, architectural and engineering expenses, and developer fees. Acquisition/rehab funds can target a range of property types including single-family homes, mom & pop-owned rental properties, small-to-medium properties, larger buildings, and SROs. Private property owners could participate in the program and obtain rehabilitation funds if they accept the 55 year or more affordability requirements.

Length of Affordability:

Affordability restrictions for an acquisition/rehab program would be set to the maximum amount allowed by law, but in no cases less than 55 years. An affordability restriction of 55 years aligns with the length of affordability required for other financing sources such as Low Income Housing Tax Credits (LIHTC) and State and Federal subsidies. In the case of homeownership, existing restrictions in the City's below market rate portfolio is in perpetuity.

<i>Property Type</i>	<i>Building Size</i>
Vacant Lots	n/a
Single Family Homes	1 unit
Mom & Pop/Small Rental Properties	2-4 units
Medium Properties	5-15 units
Large Buildings	16 or more units

Income Target:

Projects receiving bond monies would be required to target certain income levels within each project, based on the Area Median Income (AMI). At acquisition, all tenants will be able to stay in their homes regardless of income (tenant incomes are expected to range from very low-income (at or below 50% of AMI) to moderate income (at or below 120% of AMI). As existing tenants choose to leave and new tenants move in, property owners will be required to fill vacancies with households at or below 60% of AMI to achieve an average AMI of no more than 80% for the building. For homeownership, eligible buyers must earn at or below 120% of AMI. Projects with deeper affordability levels should be prioritized for the acquisition/rehab program.

Loan/Subsidy Amount:

A loan of up to \$150,000 per unit on average for the building can support a range of activities including acquisition of the property and significant upgrades. The per unit loan/subsidy amount should be revisited when the bonds are issued to ensure feasible subsidy amounts that reflect current market conditions.

Rental Rehabilitation Program

Description:

The goal of the Rental Rehab Program is to facilitate the physical improvement of rental housing in the City to ensure housing habitability for low-income tenants. Under the City's current programs, existing property owners of residential buildings with deteriorating or substandard conditions can receive financial assistance to carry out repairs and improvements. This program would seek to expand and improve these programs by providing financial assistance in exchange for affordability restrictions on the rehabilitated units.

Length of Affordability:

Under this program, the rental rehab loan terms would require the property owner to maintain affordability in the rental unit for at least the length of loan. Similar programs nationwide require minimum loan periods of ten to fifteen years. However, there is a trade-off between affordability requirements and the competitiveness of a bond-funded loan versus the private market. Property owners may be unwilling to take a bond-funded loan if it requires long-term or permanent affordability restrictions. To incentivize property owners to take bond-funded loans, similar programs allow for deferred payment of the loan as long as the affordability is maintained. If the unit is sold or affordability removed, then the loan would need to be repaid. Further outreach is needed with the potential users of this program—existing rental property owners—to better understand what loan terms create this incentive.

Income Target:

As existing tenants choose to leave and new tenants move in, property owners will be required to fill vacancies with households at or below 60% of AMI to achieve an average AMI of no more than 80% for the building. Using AMI averages for the building rather than per unit provides some flexibility for qualifying tenants.

Loan Amount:

A loan amount of \$50,000 per unit on average for the building is projected; however, similar to acquisition/rehab program, the per-unit loan should be revisited when the bonds are issued to ensure feasible subsidy amounts that reflect current market conditions.

Homeowner Rehabilitation (subject to eligibility review)

Description:

One potential use of infrastructure bond funds is to assist low-income and senior homeowners living in substandard housing conditions and/or at risk of losing their homes due to deferred maintenance. Further analysis is underway to clarify whether homeowner rehabilitation loans are eligible uses for a General Obligation bond. The Alameda County Affordable Housing Bond includes a Home Preservation Loan Program to assist low-income seniors, people with disabilities, and other low-income homeowners to remain safely in their homes. This program will provide loans to pay for accessibility improvements and other housing rehabilitation, such as roof, electrical and plumbing system improvements, to ensure that residents are not displaced due to a lack of accessible building elements or deteriorated conditions.

New Construction

Description:

The purpose of new construction is to support the creation of new affordable rental properties, helping to create long-term affordability in a neighborhood. New affordable housing typically leverages additional funding sources at a 1 to 4 ratio on average, such as the State's Affordable Housing and Sustainable Community (AHSC) funding and federal tax credits. Under the management of mission-driven developers, new affordable housing typically also provides services and amenities (like childcare facilities, community arts facilities, and grocery stores).

Length of Affordability:

Affordability can be maintained for at least fifty-five (55) years based upon the industry standard or the requirements of leveraged financing sources. LIHTC funding, of example, dictates the length of affordability.

Income Target:

Projects that are new construction typically serve households at or below 60% of AMI.

Loan/Subsidy Amount:

New construction averages a subsidy of \$165,000 per unit. The per-unit loan/subsidy amount should be revisited when the bonds are issued to ensure feasible subsidy amounts that reflect current market conditions.

Low-Income Senior and Disabled Resident Refunds

To protect from displacement low-income senior and disabled homeowners who are unable to afford the property taxes resulting from the bonds, the City could develop a program to refund the property tax increase resulting from the taxes. Given that bond funds cannot be used for such a purpose, if the City Council so directs, staff will return with a cost estimate and potential funding sources for such a program. This could be brought to the City Council at the same time as the Housing Bond Law Ordinance.

Sabrina B. Landreth, City Administrator

Subject: Policy Framework for Anti-Displacement and Affordable Housing Component of
Proposed Infrastructure Bond

Date: July 7, 2016

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ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends the City Council:

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Adoption By City Council**

Respectfully submitted,



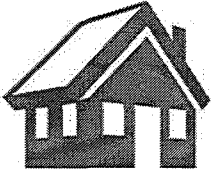

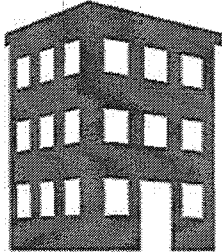
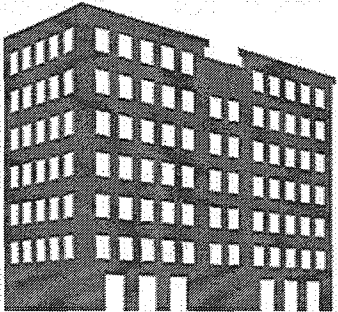
CLAUDIA CAPPIO
ASSISTANT CITY ADMINISTRATOR

Attachment (1):

A: Affordable Housing Component – Property Types

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July 19, 2016

Oakland Infrastructure Bond: Affordable Housing Component-Property Types

	 Single-Family Homes		 Small Properties		 Medium Properties		 Large Properties		
Project Size	1 unit		2-4 units		5-15 units		16+ units		
Prioritized Projects	-County default properties -Vacant and blighted buildings		-County default properties -Vacant and blighted buildings		-County default properties -Vacant and blighted buildings -Existing affordable housing with expiring restrictions		-County default properties -Vacant and blighted buildings -Existing affordable housing with expiring restrictions		
Use of Bond Funds	-Acquisition Rehab -Homeowner Rehab Loans* -New Construction		-Acquisition Rehab -Rental Rehab -New Construction		-Acquisition Rehab -Rental Rehab -New Construction		-Acquisition Rehab -Rental Rehab -New Construction		
Complimentary Financing Tools	-Bank loans -Keep Your Home, CA -First Time Homebuyer Credits(?)		-Bank loans -Released County liens from delinquent fees/fines payments		-Bank loans -Released County liens from delinquent fees/fines payments		-Line of credit -Bank Loans -Low Income Housing Tax Credits -State and Federal Subsidies		
Income Targets	After acquisition and rehab, sale to households earning up to 120% AMI or renting to tenants earning up to 80% AMI		Vacancies must be filled by households at or below 60% AMI. Must maintain building-wide average of no more than 80% AMI.		Vacancies must be filled by households at or below 60% AMI. Must maintain building-wide average of no more than 80% AMI.		Vacancies must be filled by households at or below 60% AMI. Must maintain building-wide average of no more than 80% AMI. New construction funds for 60% AMI or below only.		
Length of Affordability	<i>Acq. Rehab</i>	<i>Homeowner Rehab*</i>	<i>Acq. Rehab</i>	<i>Rental Rehab</i>	<i>Acq. Rehab</i>	<i>Rental Rehab</i>	<i>Acq. Rehab</i>	<i>Rental Rehab</i>	<i>New Construction</i>
	55 years	N/A*	55 years	15 years	55 years	15 years	55 years	15 years	55 years
Max Subsidy/Loan/Unit**	Up to \$150K	Up to \$50K	Up to \$150K	Up to \$50K	Up to \$150K	Up to \$50K	Up to \$150K	Up to \$50K	Up to \$165K

*Further analysis is needed to determine legality of using General Obligation funds for rehabilitation for owner-occupied units, as long-term affordability will be difficult to enforce without some sort of shared equity model

**These are projected loan amounts for a potential first bond issuance. Loan amounts should be revisited before each additional issuance of bond funds