

CITY OF OAKLAND
AGENDA REPORT

TO: Office of the City Manager
ATTN: Robert C. Bobb
FROM: Community and Economic Development Agency
DATE: December 17, 2002

RE: **SUPPLEMENTAL INFORMATION FOR THE REPORT ON AFFORDABLE HOMEOWNERSHIP ISSUES AND THE CITY'S EFFORTS TO ENCOURAGE AND EXPAND AFFORDABLE HOMEOWNERSHIP OPPORTUNITIES**

SUMMARY

This report provides additional information requested by the Community and Economic Development Committee on December 10, 2002 regarding recommendations and alternatives to provide housing assistance and expand homeownership opportunities for teachers.

Staff has provided additional options for consideration. These recommendations are also intended to ensure that homeownership assistance is provided to the largest number of people and to those for whom assistance is most urgently needed.

FISCAL IMPACT

This report is informational only; no fiscal impacts are included.

BACKGROUND

At the December 10, 2002 Community and Economic Development Committee meeting, City Council moved to accept the recommendations in the report with the exception of Recommendation #5 that proposed changes to the Down Payment Assistance Program for Public Safety Employees & Oakland Unified School District Teachers. The Council directed staff to prepare a report with more specific recommendations to provide housing assistance to teachers. This report responds to that direction.

KEY ISSUES AND IMPACTS

Downpayment Assistance Program

The City Council authorized the existing Downpayment Assistance Program (DAP) in 1999, targeted to public safety employees (police and fire departments). \$1,000,000 was provided from redevelopment agency funds; the program provides loans of up to \$10,000 with no payments due for the first 5 years. The program was subsequently expanded in 2000 to extend eligibility to Oakland Unified School District teachers and dispatchers.

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Only four loans have been made since the program began – 1 in 2000, 1 in 2001 and 2 in 2002 – all to teachers. The major reason for this is that household incomes for the target population tend to be higher than 120 percent of area median income, the maximum income level that can be assisted with Redevelopment Agency funds.

PROGRAM DESCRIPTION

In addition to the Downpayment Assistance Program (DAP) for public safety employees (PSE) of the police and fire departments, our Alliance lending partners – Bank of America and Wells Fargo Home Mortgage - offer loan programs for teachers.

The City also has two special first come, first served homeownership programs for Oakland teachers. These programs were funded by a special allocation called the Extra Credit Teacher Mortgage program and provide mortgage loans to credentialed teachers who teach at low-performing schools in the City of Oakland.

- Extra Credit Teacher Home Purchase Assistance Program through the California Housing and Finance Agency (CHFA)

CHFA First Loan at Affordable Housing Partnership Program (AHPP) rates (currently 5.5%).

CHFA \$7,500 2nd Loan at 5% Simple Interest (interest forgivable after 5 years)

May be combined with CHFA CHAP 3% Junior Loan

Includes a 1-year 1% interest rate buy down to 4.5% when combined with the City's PSE-DAP.

- Mortgage Credit Certificate (MCC) Program through Alameda County

Both programs can be combined with the City's PSE-DAP of \$10,000 and a \$3,000 grant from the Oakland Unified School District that is currently available.

These programs have also not been as successful as hoped for the same reasons as the DAP – household incomes for this group has been higher than the allowed limits and teachers have not been able to find homes within the purchase price limits that they qualify for. Schools recently added to the district, such as charter schools, were excluded from the original program. It is hoped that recent changes to the program listed below will generate additional interest and home sales.

Program changes effective 10/02 include:

- The five-year service commitment requirement reduced to three years.
- Definition of Low Performing School expanded to schools with API scores of 4 and 5.
- Program participants eligible category expanded.

To provide an additional resource, CHFA expanded the High Cost Area Home Purchase Assistance Program (HiCAP) to Alameda County effective July 2002. The program is designed to assist first-time homebuyers in the highest housing cost areas of the state. This is a deferred payment, low-interest rate second loan of \$25,000 that can be combined with a CHFA 30-year, below-market, fixed-rate first loan. (Program description is attached.)

City staff will conduct additional outreach and workshops the first of 2003 to realtors, lenders, and teachers to acquaint them with the changes to the program.

Descriptions of these programs are attached.

RECOMMENDATIONS AND RATIONALE

Staff's recommendation in the original report was that the City Council consider expanding the eligibility for the PSE-DAP program to include all first-time homebuyers, not just teachers and public safety employees. The expanded eligibility could include households with incomes up to 120 percent of area median income, or could be limited to 100 percent of median in order to better target those households with the greatest needs.

Staff considered additional options for the PSE-DAP with special emphasis on teachers. Of the options presented below, staff first recommends Options 2 and 3, respectively.

1. Continue the current program that provides a minimum loan amount of \$5,000 to a maximum of \$10,000. The applicant's annual household income cannot exceed 120% of the Area Median Income (AMI).
2. Increase the loan limit to \$20,000 per unit. This option might be more appealing and encourage a group of teachers that did not utilize the program at the lower amount.
3. Convert the PSE-DAP program and funds to the regular MAP program. This would make an additional \$960,000 available. The MAP program has used its annual allocation of \$2,500,000 that became available July 2002.
4. Expand the eligibility to include all first-time homebuyers, not just teachers and public safety employees. The expanded eligibility could include households with incomes up to 100% of AMI not in the initial target population in order to better serve those households with the greatest needs.

If the City Council accepts these recommendations, staff would reassess the effectiveness of these changes annually to ensure that the City remains on track to achieve its housing goals.

ACTION REQUESTED OF THE CITY COUNCIL

Adopt a recommendation listed above and direct staff to implement the necessary program changes.

Respectfully submitted,

WILLIAM E. CLAGGETT

Executive Director

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Housing and Community Development Division

Jackie Campbell, HCD Program Manager

APPROVED AND FORWARDED TO
THE CITY COUNCIL

OFFICE OF THE CITY MANAGER

Attachments