



CITY OF OAKLAND

MEMORANDUM**TO:** HONORABLE MAYOR &
CITY COUNCIL**FROM:** Donna Hom**SUBJECT:** Affordable Housing in the Mayor's
FY 2013-15 Proposed Policy Budget**DATE:** June 11, 2013

City Administrator

Date

Approval

/s/ **Deanna J. Santana****6/11/13****REVISED - INFORMATION**

The purpose of this information memorandum is to clarify the status of funding in the Mayor's FY 2013-15 Proposed Policy Budget and at the direction of Mayor Quan, provide her latest proposal regarding affordable housing.

The affordable housing program is one of the programs that suffered both from the dissolution of the redevelopment agency as the result of state law changes and the sequestration as a result of the federal budget reduction. Since 2011, funding for affordable housing has decreased by 85%, from \$13 million to \$2 million per fiscal year. Rising operating costs also contributes to the reduction in funding available for projects. To date, with the dissolution of redevelopment, local governments have been relatively on their own to provide for affordable housing programs, both by covering the costs of staff and policy goals.

The Mayor's FY 2013-15 Proposed Policy Budget requested to utilize \$1.8 million one-time bond funds to pay for 7 staff in year one. The Mayor further proposed to use up to \$2.6 million in one-time revenue to pay for the housing staff for year two.

Additionally, there will be no additional funding available for programs except for funds allocated by the U.S. Department of Housing and Urban Development (HUD) through the HOME Partnership grant. The City received notification that it will receive \$2,259,656 in HOME Partnership grant funds for HUD in FY 2013-14. This is \$1.7 million less than in prior years where the City received \$3.9 million. The majority of these funds will underwrite the City's Annual Notice of Funding Availability (NOFA) for affordable housing development. The City will allocate \$2 million of the HOME funds for the NOFA for affordable housing projects in FY 2013-14. This is a decrease of overall funding available for affordable housing. This is a continuous decreased funding compared with prior years (See table below):

Summary of City of Oakland's Investment in Affordable Housing & return on the Investment from July 1, 2010 to June 30, 2013

May 24, 2013 v. 4

	Year			Total
	2010-2011	2011-2012	2012-2013	
Basic Investment				
City of Oakland NOFA investment in Oakland affordable housing projects (1)	\$ 23,663,000	\$ 4,345,000	\$ 3,960,000	\$ 31,968,000
Total Investment				
Total investment in Oakland affordable housing projects including funding from other sources (1)	\$ 139,705,726	\$ 17,833,291	\$ 46,055,357	\$ 203,594,374
Direct Return on Investment				
Affordable units (1)	433	185	154	772
Affordable bedrooms (1)	934	247	162	1,343
Oakland resident construction jobs (FTE annual equivalent) (2)	411	52	135	599
Indirect Return on Investment (3)				
Taxes, permit fees, business license fees and other revenue for local government	\$9,628,053	\$ 1,229,011	\$ 3,173,982	\$ 14,031,046
Local wages & salaries (4)	\$ 64,963,163	\$ 8,292,480	\$ 21,415,741	\$ 94,671,384

Notes:

1) Data from the City's Housing & Community Development Department includes both new construction and rehabilitation projections.

2) Oakland residents construction jobs total based on an estimate of \$85,000/annum average wage rate for construction workers and 30% of total construction jobs were performed by Oakland Residents.

3) Indirect Return on Investment data from National Association of Home Builders "Local Impact of Home Building in Typical Metro Area" Report, dated June 2009

4) Local wages & salaries include primary & secondary jobs in construction, professional services, wholesale & retail trade, medical, transportation and other support industries.

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As the result of the dissolution of redevelopment agency and federal budget sequestration, there will be a related reduction in services: there will be no new units built next year in comparison to 154 units for FY 12-13; 185 units for FY 11-12; and 433 units for FY 10-11.

If the affordable housing program does not have the stable staff and some level of program funding, it would also impact the First Time Homebuyers program and result in the potential loss of 50 new homebuyers per fiscal year. Any Oakland projects competing for State Tax Credits would not be competitive given the small amount of local contribution to the projects. The City will also lose its ability to leverage private financing due to the small amount of local contribution to the projects.

The Mayor proposed (1) to use City claim of the "triple flip" administrative fee overpayment fund for the housing staff for year 2; (2) to adopt a policy to allocate 20%-25% of the on-going boomerang funds for the affordable housing program; and (3) to allocate 20%-25% of one-time boomerang funds for the affordable housing program.

In summary, if City Council approves the Mayor's proposal as part of the FY 2013-15 Policy Budget, it will stabilize the housing staff for two years only. If the City Council also adopts the policy to allocate 20% to 25% boomerang funds for the housing program, there will be on-going funds for affordable housing staff and projects in addition to the HOME funds to contribute to the NOFA which will allow the city to increase its affordable housing stock. If the City Council further adopts the policy to allocate 20% to 25% of one-time boomerang funds for the affordable housing program, there will be additional funds for the program.

Of note, if the proposed policy is enacted in FY 2015-16, there will be approximately \$3 million to \$4 million available to support this policy priority, depending on the property revenue level, each year of the General Purpose Fund commitment earmarked for the Affordable Housing program. If the proposed policy is enacted in FY 2013-14, the amount required to be set aside for Affordable Housing will have to come from current proposed budget, which will create a funding gap, and the calculation is indicated below.

- 20% of the "boomerang" fund for Y1 is $\$13M \times 20\% = \$2.6M$; 25% is $\$3.25M$; a difference of $\$650K$; and,
- 20% of the "boomerang" fund for Y2 is $\$17M \times 20\% = \$3.4M$; 25% is $\$4.25M$; a difference of $\$850K$.

Respectfully submitted,

/s/

DONNA HOM
Budget Director

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For questions please contact Michele Byrd, Director, Department of Housing and Community Development, at 238-3714.