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MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Michele Byrd

SUBJECT: 25% Affordable Housing Set-Aside
Requested Amendment Before Second
Reading

DATE: September 13, 2013

City Administrator

Date

Approval

/s/ **Deanna J. Santana**

9/13/13

INFORMATION

The purpose of this informational memorandum is to clarify a requested amendment to the 25% Affordable Housing Trust Fund Ordinance approved by City Council on July 30, 2013 before the second reading.

The language in the current ordinance does not specify exclusion of the AB 1290 pass-through funds, which have historically come to the City for General Fund purposes, from the 25% set-aside from ongoing distribution of property tax from the Redevelopment Property Tax Trust Fund ('RPTTF'). The current language in the ordinance states that "...An amount equal to twenty-five percent of all funds distributed to the City as a taxing entity under the Dissolution Laws, including both one time and ongoing distributions, shall be deposited into the Affordable Housing Trust Fund..." If the ordinance is not amended, an additional budget deficit between \$1.5–2.0 million would result.

The language in the requested amendment to the ordinance specifically states that only funds from RPTTF residuals are included in the 25% set aside from ongoing funds.

Adoption of the 25% Affordable Housing Trust Fund Set-Aside Ordinance ensures ongoing 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 and preserve its existing affordable housing stock.

As indicated in the Council report dated July 25, 2013, passage of the ordinance for enactment in FY 2015-16 will provide approximately \$4 million to \$5 million, depending on the property revenue level, each year of the General Purpose Fund commitment earmarked for the Affordable Housing program.

- 25% Set Aside for Y1 is $\$17.1\text{M} \times 25\% = \4.2M ;

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- 25% Set Aside for Y2 is $\$18.4 \times 25\% = \4.6M ;

Affordable Housing staff costs are approximately \$1.5 million per fiscal year. A relatively small amount is allowable under the Federal HOME Program administrative funds, and a small amount of admin funds covered in conjunction with oversight of ROPS projects. Approximately \$1.5 million of the 25% Set-Aside funds will cover the staff costs, with the remainder of the funds going toward program costs. These programs include multifamily, preservation and new construction, first time homebuyer, rehabilitation projects and any new affordable housing initiatives.

Affordable Housing program costs are the balance of local funds available, in addition to the federal HOME entitlement allocation (approximately \$2 million/fiscal year) to underwrite the annual Notice of Funding Availability (NOFA) for multifamily new construction and rehabilitation projects.

Annual NOFA project awards leveraged approximately 70% on average from other sources (with the City of Oakland providing the remaining 30% of funds). That assumption should be a safe assumption going forward. This assumption includes both NOFA new construction and NOFA preservation (rehabilitation projects). If a larger % of City funds go toward the rehabilitation NOFA, the leveraging potential will decrease.

Respectfully submitted,

/s/

MICHELE BYRD

Director, Department of Housing
and Community Development

For questions, please contact Michele Byrd, Director, Department of Housing and Community Development, at 510-238-3714.