Oakland Community Land Trust: Turning the Foreclosure Crisis into Opportunities for Oakland’s Neighborhoods

Prepared by
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Oakland, CA
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May 12, 2009
FORECLOSURE INTERVENTION AND REMEDIATION INITIATIVE

1. COMPREHENSIVE FORECLOSURE INTERVENTION COLLABORATIVE
   ➢ SERVICE INTEGRATION AND COORDINATION
   ➢ LEGISLATION
   ➢ LOCAL POLICY AND REGULATIONS
   ➢ DATA AND INFORMATION

2. FORECLOSURE SERVICES TOOLKITS

3. RESEARCH AND MAPPING

4. OAKLAND COMMUNITY LAND TRUST
CITY OF OAKLAND
Notices of Default (NODs)
with City Council Districts
and NSP Target Areas
2006 to 2008

Legend
- NOD 2008
- NOD 2007
- NOD 2006
- Primary Target Area
- Secondary Target Area
- City Council District
- Highway

Number of NODs by City Council District and City of Oakland NSP Target Area

<table>
<thead>
<tr>
<th>District</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>District 1</td>
<td>64</td>
<td>78</td>
<td>241</td>
<td>383</td>
</tr>
<tr>
<td>District 2</td>
<td>103</td>
<td>148</td>
<td>182</td>
<td>433</td>
</tr>
<tr>
<td>District 3</td>
<td>173</td>
<td>222</td>
<td>364</td>
<td>759</td>
</tr>
<tr>
<td>District 4</td>
<td>134</td>
<td>183</td>
<td>330</td>
<td>647</td>
</tr>
<tr>
<td>District 5</td>
<td>117</td>
<td>161</td>
<td>305</td>
<td>583</td>
</tr>
<tr>
<td>District 6</td>
<td>435</td>
<td>547</td>
<td>843</td>
<td>1,825</td>
</tr>
<tr>
<td>District 7</td>
<td>429</td>
<td>553</td>
<td>1,015</td>
<td>1,997</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,453</td>
<td>1,892</td>
<td>3,280</td>
<td>6,625</td>
</tr>
</tbody>
</table>

Total in NSP Target Areas | 299 | 440 | 771 | 1,510

Source: DataQuick, FARES, and the City of Oakland.
City of Oakland
Bank-Owned Properties (REO)
Residential Foreclosures by Number of Units in Structure with City Council Districts and NSP Target Areas as of February 2, 2009

Residential REOs in Oakland (On February 2, 2009)

<table>
<thead>
<tr>
<th>Units in Structure</th>
<th>Count</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>1,773</td>
<td>1,773</td>
</tr>
<tr>
<td>Two</td>
<td>392</td>
<td>784</td>
</tr>
<tr>
<td>Three</td>
<td>81</td>
<td>243</td>
</tr>
<tr>
<td>Four</td>
<td>97</td>
<td>388</td>
</tr>
<tr>
<td>Five</td>
<td>19</td>
<td>207</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>2,362</strong></td>
<td><strong>3,395</strong></td>
</tr>
</tbody>
</table>

Source: FARES and the City of Oakland
Foreclosures Hurt the Whole Neighborhood

- Vacant, unmaintained properties contribute to **blight** and **crime**
- Decreased property values and tax revenue jeopardize city services
- Renters abandoned in foreclosed properties
- Recession caused by lending and securitization practices
Impacts on Displaced Homeowners and Families

- Homelessness and inadequate housing for borrowers and renters
- Long-term, often irreparable, damage to credit
- Health impacts of dislocation
- Children’s school displacement
- Loss of expected future wealth likely to impact college attendance rates
Re-establishing Owner Occupancy

- **Market-based approach—Best for upper end of the REO market**
  - Investors purchase houses at market rate.
  - Only the most attractive properties will be purchased.
  - Use will be determined by highest return to owner.
- **Buyer-side subsidies—Best for certain properties in CCE**
  - Investors purchase, rehabilitate and resell houses at market rate.
  - Income-qualified buyers receive low-interest “silent second” mortgage assistance focused on purchase of REOs. Oakland’s program offers up to $75,000 at 3 percent.
  - Buyer earns equity appreciation but has to repay $75,000 at resale.
  - House is not permanently affordable.
- **Community Land Trust model—Best for neighborhoods with a high concentration of REOs**
  - Buyer recovers mortgage payments and limited equity at resale.
  - Subsidy used to create permanently affordable homes.
## Affordable Housing Models Compared

<table>
<thead>
<tr>
<th>Model</th>
<th>Subsidy retention</th>
<th>Approximate Number of families assisted</th>
<th>Average Subsidy Per Unit *</th>
<th>Incomes reached</th>
<th>Asset building component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Land Trust</td>
<td>Shared Equity (Subsidy to the Land Trust)</td>
<td>10</td>
<td>80,000 Average, 100,000 maximum</td>
<td>$51,660 to $66,400 for a family of four</td>
<td>Homeowner recovers down payment, principal paid and limited equity.</td>
</tr>
<tr>
<td>Below Market Rate Ownership Units (BMRs)</td>
<td>Shared Equity (Subsidy to developer)</td>
<td>10 but vulnerable to renegotiation</td>
<td>$300,000</td>
<td>$83,000 to $99,600 for a family of four</td>
<td>Homeowner recovers mortgage payments and possibly limited equity.</td>
</tr>
<tr>
<td>First time homebuyer</td>
<td>Subsidy to home buyer</td>
<td>1</td>
<td>70,000 average, 75,000 maximum</td>
<td>$66,400 for a family of four</td>
<td>Homeowner sells house at market rate minus the amount of the loan</td>
</tr>
<tr>
<td>Affordable rental housing</td>
<td>Subsidy to developer, typically a non-profit</td>
<td>10</td>
<td>Up to 40% of development costs (about $120,000 for family size unit)</td>
<td>$25,850 to $51,660 for a family of four, Renter pays only 30% of income for rent</td>
<td></td>
</tr>
</tbody>
</table>

*Estimated at current market conditions. Current 4-person household income at: 30% of AMI: $25,850, 60%: $51,660, 80%: $66,400, 100%: $83,000 120%: $99,600
“SELLING” THE COMMUNITY LAND TRUST

THE OAKLAND CLT WILL CREATE:

- GREEN-COLLAR CONSTRUCTION JOBS AND STIMULATE THE LOCAL ECONOMY
- CAREER PATHS INTO GREEN-COLLAR CONSTRUCTION JOBS
- WORKFORCE HOUSING
- NEIGHBORHOOD STABILITY
- OPPORTUNITIES FOR CIVIC ENGAGEMENT
OAKLAND COMMUNITY LAND TRUST-PURPOSES

- provide permanently affordable homeownership for lower-income residents,
- stabilize distressed neighborhoods,
- provide additional opportunities for community development, and
- contribute to individual and community asset building.
The Land Trust Accomplishes:

- **Immediate neighborhood stabilization:** First homes could be re-occupied by late spring 2009.
- **Long-term neighborhood stabilization:** 200+ owner-occupied houses, always affordable to working families, on land owned by the land trust.
- **Community stewardship:** Two-thirds of the board of directors will be community residents. The board, not the City, will establish and enforce land trust policies and procedures.
- **Affordable homeownership:** The City’s investment of up to $20 million allows 1000 families to purchase homes, over the useful life of the homes.
- **Flexible long-term uses:** Land ownership allows for community development on neighborhood scale.
Community Land Trust Model

- Current Lien Holder
- REO (Real Estate Owned by Bank)
- Community Land Trust
- Land Trust Purchases Property
- House Sale
- New Homebuyer
- Land Lease
Diagram of CLT Structure

BOARD OF DIRECTORS

OAKLAND COMMUNITY LAND TRUST
501(C)(3) Nonprofit Corporation

CONTRACTED SERVICES

AFFORDABLE HOME OWNERSHIP PROGRAM: COUNSELING AND TECHNICAL ASSISTANCE

NEIGHBORHOOD COMMUNITY AND LEADERSHIP DEVELOPMENT MONITORING AND ENFORCEMENT OF LAND TRUST POLICY

MASTER DEVELOPER/GENERAL CONTRACTOR: ACQUISITION AND REHABILITATION

INITIATORS

URBAN STRATEGIES COUNCIL

ACORN
## ACQUISITION METHODS

<table>
<thead>
<tr>
<th>National Community Stabilization Trust</th>
<th>Acorn Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Banks and Servicers</td>
<td>Development Team’s &amp; Partners’ Bank Contacts</td>
</tr>
<tr>
<td>Private Investment Partners</td>
<td>Other Avénues and Opportunities</td>
</tr>
</tbody>
</table>
Strategies to Address Vacant Foreclosures (REOs*)

• Use SB 1137
  – Owners of unmaintained property can be fined up to $1000 a day

• Call City’s Code Compliance office
  (510) 238 3381

• Return Properties to Productive Use ASAP

*REO=Real Estate Owned by Banks from Foreclosure
# CLT Funding & Financing Example

50-80% AMI (Family of 4 = $43,050 to $66,250)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Acquisition price and closing costs</td>
<td>$111,518</td>
</tr>
<tr>
<td>Rehabilitation costs</td>
<td>$72,650</td>
</tr>
<tr>
<td>Soft costs (accounting, insurance, fees, etc.)</td>
<td>$22,388</td>
</tr>
<tr>
<td>State and Federal down payment assistance</td>
<td>-$17,735</td>
</tr>
<tr>
<td>Buyer’s down payment</td>
<td>-$3,430</td>
</tr>
<tr>
<td>30 yr fixed rate mortgage at 6% interest (Buyer earning 55% of AMI)</td>
<td>-$114,320</td>
</tr>
<tr>
<td>Permanent investment (make up “gap”)</td>
<td>-$71,071</td>
</tr>
<tr>
<td>Monthly PITI (Principal, Interest, Taxes and Insurance</td>
<td>$1,000-1,500/MO</td>
</tr>
</tbody>
</table>
## CONSTRUCTION COSTS

<table>
<thead>
<tr>
<th>CONSTRUCTION COSTS</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ACQUISITION</td>
<td>17,200,000</td>
</tr>
<tr>
<td>• REHABILITATION</td>
<td>14,530,000</td>
</tr>
<tr>
<td>• PRE-DEVELOPMENT</td>
<td>579,170</td>
</tr>
<tr>
<td>• SOFT COSTS</td>
<td>3,857,343</td>
</tr>
<tr>
<td>• BUYER CLOSING COSTS</td>
<td>1,084,995</td>
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<tr>
<td>TOTAL PROJECT</td>
<td>37,251,508</td>
</tr>
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## Project Financing

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage/Other Lenders</td>
<td>26,419,433</td>
</tr>
<tr>
<td>City of Oakland/Subsidy</td>
<td>3,176,647</td>
</tr>
<tr>
<td>California Hicap Program</td>
<td>1,262,914</td>
</tr>
<tr>
<td>FHLB DP Assistance</td>
<td>2,500,000</td>
</tr>
<tr>
<td>NMTC Subsidy</td>
<td>2,502,018</td>
</tr>
<tr>
<td>Home Buyer Down Payment</td>
<td>1,390,496</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,251,508</strong></td>
</tr>
<tr>
<td>CLT ANNUAL OPERATIONS</td>
<td>COSTS</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>STAFFING</td>
<td>$139,500</td>
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<tr>
<td>HOMEBUYER SERVICES</td>
<td>$422,750</td>
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<tr>
<td>GENERAL OPERATING</td>
<td>$89,030</td>
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<tr>
<td>ADMIN/ACCOUNTING</td>
<td>$58,615</td>
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<tr>
<td>TOTAL PROJECT</td>
<td>$709,895</td>
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</table>
RE-BUILDING NEIGHBORHOODS AND COMMUNITIES

REAL ESTATE ACTIVITIES

- Affordable and Market Rate Real Estate
- Foreclosure Prevention and Rescue Services

INCOME AND ASSET BUILDING

- Public Benefits Screening and Enrollment
- Financial Education and Counseling
- Mainstream and Alternative Financial Services
- Employment Referral Services
OAKCLT BUDGET AND FUNDING: SOURCES

DEVELOPMENT FEES
• Marketing Fees
• Buyer Prep Fees
• Broker Fees

FUNDRAISING

GROUND LEASE FEES

RESALE ADMINISTRATION FEES
• Private Donors

PRIVATE FOUNDATIONS

COMMUNITY FUNDRAISING
RE-BUILDING NEIGHBORHOODS AND COMMUNITIES

SAFETY

• Neighborhood Crime Prevention Council
• Neighborhood Watch
• Community Policing Pilot Project

FOOD SECURITY

• COMMUNITY GARDENS
• YARD VEGETABLE GARDENS
• FOOD DESERT ADVOCACY
RE-BUILDING NEIGHBORHOODS AND COMMUNITIES

COMMUNITY SERVICES AND AMENITIES

- **Youth Development Programs**
- **Community Arts and Cultural Activities**
- **Retail Services**
- Broadband Services

HOME MAINTENANCE AND IMPROVEMENT

- **Solar Panel Installation Program**
- **Weatherization Assistance Program**
- Energy Efficiency Services
RE-BUILDING NEIGHBORHOODS AND COMMUNITIES

CIVIC ENGAGEMENT

- Advisory and Board Seats
- School Site Councils
- NCPC
- Other Neighborhood Improvement Initiatives