

**City of Oakland Summary and Response to
Comments on Draft NSP Substantial Amendment**

The City of Oakland received written comments from three commenters. The following is a summary of those comments and the City's response.

1. One commenter proposed that the City set affordability terms at 55 years for the rental program and permanent affordability for the ownership program. Another commenter proposed that the City set the affordability term on owner-occupied housing to 45 years.

To encourage the broadest possible participation, the City has determined that a minimum affordability period of 15 years for both rental and ownership programs is sufficient to meet the requirements of the NSP program. However, the City will award additional points in the NSP Request for Proposals to those projects that propose to provide longer terms of affordability.

2. Two commenters proposed that the City expand the geographic target areas.

Given the limited amount of funding available from the NSP grant and the City's desire to ensure that funds result in neighborhood revitalization and not just rehabilitation of individual foreclosed homes, the City initially proposed to target funds only to those block groups with a HUD risk factor of 10. In response to comments, the City has expanded the target areas to include block groups with a risk factor of 9 that are immediately adjacent to the originally selected areas.

3. Two commenters raised concerns about the City's proposed income targeting and statements in the draft Substantial Amendment that divided 75% of the funds equally between households at 51% to 80% of median income and households at 81% to 120% of area median income. One suggested that the City should target 75% of its funds to households earning between 50% and 80% of area median income.

The City has declined to take this course of action. As required by the NSP Regulations, the City will set aside 25% of the NSP grant for assistance to households at or below 50% of area median income, primarily for rental housing activities. The balance of the funds (less those reserved for program administration) will be targeted to households at or below 100% of area median income, primarily through homeownership activities. These targets are consistent with income limits used in the City's housing development program, and somewhat higher than those for the first-time homebuyer program. The City may make downpayment or homebuyer assistance from local (non-NSP) funds available to households with incomes less than 80% of area median income to provide more opportunities for this income group.

The City is reducing the target income for initial occupants of NSP-assisted housing from the maximum of 120% of area median income allowed by the NSP Regulations to 100% of area median income. The resale controls that will be recorded in connection with assisted activities

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will require resale to households at or below 100% of area median income unless such restrictions would require a sales price less than the restricted sales price allowed under the City's resale formula. In limited instance (for example, if interest rates for first mortgages rise sharply and no other downpayment or homebuyer assistance is available), the City may at its option permit resale to households with incomes not to exceed 120 percent of median income.

4. One commenter suggested that the City should consider allowing some portion of the NSP funds used for acquisition and rehabilitation of assisted ownership properties to remain invested to enhance affordability (the draft Substantial Amendment proposed that all NSP funds be due and payable when assisted units are first sold).

The City was initially concerned that the NSP Regulations regarding program income would treat any appreciation, even when sales prices are restricted, as program income that would have to be returned to the City for reuse for eligible NSP activities or returned to the Federal Treasury. Because of this uncertainty, the City had proposed to require all NSP funds to be repaid upon initial sale, thereby removing any concern about program income. At the time this application was submitted, HUD has still not clarified how program income will be defined and treated in these circumstances. However, the City has revised the Substantial Amendment to permit NSP funds to be used for long-term affordability subsidies for owner-occupied housing in the event that future clarifications of the rules regarding program income make this use feasible.