

To: Blue Ribbon Commission
Fr: Gregory McConnell
Re: Condo Conversion Ordinance
Date: August 13, 2007

GOALS of CONDO CONVERSION ORDINANCE

The following are the goals of the Condominium Conversion Ordinance

- 1) Encourage homeownership opportunities
- 2) Allow shift in rate between rental and ownership, but allow the city to control the rate of shift
- 3) Provide funding assistance that benefits people who already live and/or work in Oakland, especially city employees
- 4) Protect tenants from involuntary evictions
- 5) Give tenants more information about rights through clearly defined notices and referrals to local housing rights groups
- 6) Make it easier to create homeownership opportunities in areas where the housing stock percentage is lopsided in favor of rental (East Oakland).
- 7) Protect affordable rental units in areas that may lack affordable rental units (North Oakland) and in buildings mostly rented to people paying median or below median rents.
- 8) Give city better information about what is happening with condo conversion. Set up an office that tracks conversions and what happens to the tenants who don't buy.
- 9) Grandfather units that are in process of converting under existing laws
- 10) Continue exemption of 4 or fewer unit buildings. Alternatively, count 4 or fewer unit buildings in new limits but exempt from various requirements, such as Planning Commission review, conversion fees, etc.

HOW to ACHIEVE GOALS

Limits on Conversions

The city sets an annual cap of how many units can be converted. The cap should be approximately 800 units or no more than 1% of the rental housing stock per year. To ensure that the Lake Merritt and North Oakland areas do not take up the entire cap, those areas should be limited to 400 units per year. The remaining 400 should be spread throughout the city. People who want to convert a rental building to condominiums have to apply. First year is first come, first serve. If the cap is exceeded, second year is the rest of the first year applicants, then move to a point system to be developed by City Council. If there are more units to be converted than are allowed by the cap, then units compete for points that are tied to the policy goals above.

Exemptions from Cap

The following are not included in the cap.

1. Units in areas that have a disproportionate share of renters to owners (e.g. East Oakland)
2. Units in buildings where 100% of the tenants are buying the converted units
3. Units that are occupied by persons who are entitled to a life time lease

Tenant Protections

Tenants shall be entitled to the following rights and protections

1. Six month's notification which clearly spells out tenant rights, assistance and protections
2. Right of first refusal to buy at a 10% discount during 6 month notice period
3. Relocation fees for tenants who voluntarily relocate during 6 month notice period
4. Relocation and moving expenses for any tenant where buyer of unit seeks to evict for owner occupancy
5. Right to refuse involuntary cosmetic upgrades to the interior of units
6. Right to rent reductions due to lengthy service interruption from common area improvements
7. Referral to housing rights organization
8. Life time leases for seniors
9. Other rights under existing laws

Processing Fees

The city of Oakland shall adopt reasonable fees on a per unit basis for the cost of running the program.

Conversion Fees

In order to create funds for assisting Oakland residents and employees, converters will be charged a conversion fee which shall be placed in a housing trust fund to assist Oakland residents and/or people who work in Oakland. Conversion fees are based upon the number of rooms as outlined in the De La Fuente, Brooks, and Chang October 2006 proposal. The city may consider waiving conversion fees on units where the owner sets a sales price that does not exceed the HUD established prices that are affordable to households earning 120% of the Area Median Income.