

1 [Supporting the City of Richmond’s Local Principle Reduction Program]

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3 **Resolution recognizing the devastating effect of the foreclosure crisis on local**  
4 **communities; supporting the City of Richmond’s strategy of Local Principle Reduction**  
5 **to assist homeowners in risk of foreclosure remain in their homes; and declaring San**  
6 **Francisco’s intention to study whether it should embark upon a similar strategy.**

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8 WHEREAS, The financial crisis has devastated local communities as nine million  
9 Americans have lost their jobs, 10 million families have owed more on their mortgages than  
10 their homes are worth, and state and local governments have faced crippling budget crises;  
11 and

12 WHEREAS, The City of Richmond, California was particularly hard hit by the  
13 foreclosure crisis, where roughly half of all homeowners with mortgages in the City are  
14 underwater, meaning the homeowner owes more on his or her mortgage than the home is  
15 worth; and

16 WHEREAS, Homeowners who are severely underwater on their mortgages are 150%  
17 to 200% more likely to default on their mortgages; and

18 WHEREAS, The foreclosure prevention efforts that have been implemented thus far at  
19 the local, state, or federal levels have failed to adequately address the crisis; and

20 WHEREAS, The City of Richmond is boldly advancing a Local Principal Reduction  
21 program to acquire underwater mortgages in private label securities at their current market  
22 values and then refinance the new loans with reduced principal in order to bring the  
23 mortgages in line with current market values; and

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1           WHEREAS, The City of Richmond is offering to purchase the loans at fair market  
2 value, but may consider using eminent domain to acquire the loans if its offers are not  
3 accepted; and

4           WHEREAS, The City of Richmond would pay fair market value to the investors of the  
5 underwater mortgages even if it used eminent domain to acquire them; and

6           WHEREAS, The City of Richmond's use of eminent domain to acquire underwater  
7 mortgages would serve the public purpose of preventing blight and preserving the community  
8 and tax base; and

9           WHEREAS, Wall Street banks and the financial industry's leadership have chosen to  
10 threaten the City of Richmond and other cities who are working on this innovative program  
11 with retribution if they move forward with their plans in an effort to bully local communities into  
12 backing off from utilizing the legal mechanisms at their disposal to address the crisis and to  
13 prevent further devastation; now, therefore, be it

14           RESOLVED, That the San Francisco Board of Supervisors stands united with the  
15 Mayor and City Councilmembers of Richmond and any other city or community that attempts  
16 to utilize similar lawful methods at their disposal as they work to save homes and save  
17 neighborhoods; and, be it

18           FURTHER RESOLVED, That the San Francisco Board of Supervisors calls on Wall  
19 Street banks, the Securities Industry and Financial Markets Association (SIFMA), and the  
20 Federal Housing Finance Administration which oversees Fannie Mae and Freddie Mac, to  
21 stop threatening communities with reprisals and litigation and instead work with them to  
22 negotiate principal reduction for underwater mortgages to current market values in order to  
23 the stop the housing crisis, strengthen local economies and help keep families in their homes;  
24 and, be it

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1           FURTHER RESOLVED, That the Board will present a letter of inquiry to the City  
2 Assessor to determine how many homeowners are currently at risk of foreclosure in San  
3 Francisco; and, be it

4           FURTHER RESOLVED, That the Board will ask the City Attorney and Budget &  
5 Legislative Analyst to study whether the strategy of Principle Loan Reduction makes sense for  
6 San Francisco, including whether the strategy would work to prevent vulnerable residents  
7 from losing their homes and help guard against family flight from the City as well as assess  
8 the financial and legal risks to the City if it chose to pursue the strategy; and, be it

9           FURTHUR RESOLVED, That the Board recognizes the impacts and historic misuse of  
10 the power of eminent domain in San Francisco and the adopted policy in the Bayview Hunters  
11 Point Redevelopment Plan (Section 1.4.5) that outlines express prohibitions and limitations on  
12 the use of eminent domain in the Bayview Hunters Point Redevelopment Project Area; and,  
13 be it

14           FURTHUR RESOLVED, That any study commissioned to evaluate the possibility of  
15 using eminent domain for properties in foreclosure consider the policies outlined in Section  
16 1.4.5 of the Bayview Hunters Point Redevelopment Plan; and, be it

17           FURTHUR RESOVLED, That before any policy change or administrative action which  
18 encourages the use of eminent domain for properties undergoing foreclosure is implemented  
19 the Board will hold a hearing to consider this policy or action.

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