REDEVELOPMENT: WHAT’S BEEN LOST, WHAT’S BEEN GAINED?

HOUSING CALIFORNIA
ANNUAL CONFERENCE
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SESSION 5-09

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Presentation Overview

- Redevelopment Dissolution: What Just Happened to Affordable Housing Funding?
- Redevelopment Funds: What’s Left for Affordable Housing This Year?
- Implementation Issues: What Happens to Pipeline Projects and Agency Programs?
- Future Funding: What’s Next?
Redevelopment Financial Contributions to Affordable Housing

<table>
<thead>
<tr>
<th>FY 2009/10</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New Tax Increment Deposits</td>
<td>$1.075 Billion</td>
</tr>
<tr>
<td>Program Income and Related Revenue</td>
<td>$0.607 Billion</td>
</tr>
<tr>
<td>New Housing Revenues</td>
<td>$1.682 Billion</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$1.841 Billion</td>
</tr>
<tr>
<td>New Housing Programs/Production</td>
<td>Nearly $1 Billion</td>
</tr>
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Redevelopment – Assisted Affordable Housing

<table>
<thead>
<tr>
<th>FY 2009/10</th>
<th>Units/Households Assisted</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Construction</td>
<td>6,716</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>5,315</td>
</tr>
<tr>
<td>Households Assisted</td>
<td>3,408</td>
</tr>
<tr>
<td>Other Units Assisted</td>
<td>2,111</td>
</tr>
<tr>
<td>Total</td>
<td>17,550</td>
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- Largest State Affordable Housing Program
- Most Flexible Gap Funding Source
- Early/Flexible Money Used to Leverage Other Public And Private Sources

Life and Death of Redevelopment

- 1940s-50s: Redevelopment/TIF Established
- 1960s-70s: Redevelopment Matures in Larger Cities
- 1970s-80s: Proposition 13, Proposition 98, and Resulting State-Local Tension and Redevelopment Expansion
- 1990s-2010: State Attempts to Rein-in Redevelopment Powers and Take Away Funds
- 2011-2012: ABx1 26 And 27 Passed, Supreme Court Upholds only ABx1 26, RDAs Dissolved
NO MORE!

- On February 1, 2012, all 400 Redevelopment Agencies (RDAs) in California Dissolved
- Future Flow of Property Tax increment for New Affordable Housing Activities Ended
- Most Former Redevelopment Agency Programs Being Unwound; Assets Being Liquidated
- Goal: Free Up Property Taxes Formerly Received by RDAs for Distribution To Local Governments and Schools/State of California

Key Questions

- What’s left from Redevelopment for Affordable Housing?
- What is happening to pipeline housing projects?
- What can be done to remedy this funding loss for California affordable housing?

WHAT’S LEFT FROM REDEVELOPMENT FOR AFFORDABLE HOUSING?
RDA Dissolution/Wind Down Process

- **Successor Agency and Oversight Board To:**
  - Receive All RDA Funds and Most RDA Assets
  - Pay-off RDA Debts
  - Complete Certain Underway Projects
  - Liquidate Assets, including Real Property
  - Convert Former Property Tax increment into Future Property Taxes For Schools And Other Local Governments

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RDA Dissolution/Wind Down Process (cont.)

- **Housing Successor To:**
  - Take Over Affordable Housing Functions of Dissolving RDA
  - Receive Housing Fund-Related Real Property and Contracts (Loans and Leases) of Dissolving RDA
  - Use Land and Program income From Housing Fund-Related Assets to Undertake New Affordable Housing Activities
  - Monitor Affordable Housing Compliance for Existing RDA-Assisted Housing Stock

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Treatment of Housing Fund Balance – Current AB 26

- **Housing Successor Does NOT Receive Existing Fund Balance in Dissolving RDAs 20% Set-Aside/Low And Moderate income Housing Fund!**

  - Fund Balance Directed to Successor Agency
    - For Use in RDA Wind Down Process
    - Distribution to Taxing Entities
    - NOT For Continued Affordable Housing

- Estimated $1.4 Billion of Unencumbered Housing Fund Balances

- Needed to Continue Local Affordable Housing Activities in Short-Run

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Treatment of Housing Fund Balance
– SB 654/AB 1585

- SB 654 (Steinberg)/AB 1585 (Perez) Would Allow Housing Fund Balance to be Used for Affordable Housing

- January 31 – SB 654 Passed Senate on Non-Urgency Basis
  (Political Maneuvering Prevented Passage on Urgency Basis)
  Now Held in The Assembly

- March 26– AB 1585 Passed Assembly on Urgency Basis
  Now Held in The Senate

- Advancing Either Bill Depends on Revenue Forecast in
  “May Revise” Budget Proposal
  - Next Step: Folded in to Budget Trailer Bill for Consideration in June 2012?

Questions ON PART 1?

WHAT HAPPENS TO PIPELINE PROJECTS
AND AGENCY PROGRAMS?
Can My Housing Agreement Be Terminated?

- **Enforceable Obligation:**
  - Fully executed and duly authorized
  - Entered into prior to June 28, 2011

- Confusion about types of agreements that can be terminated

Agreements Between RDA and Public Agencies

- Agreements between former RDA and public agencies subject to “Clawback”:
  - After January 1, 2011
  - Third Party – Commitments

- Other Agreements between RDA and public agencies

Agreement Between Agency And Private Party

- Oversight Board required to direct Successor Agency to determine whether any contracts between former RDA and private party should be dissolved or renegotiated

- Can OB/SA Terminate Housing Contracts?

- What is OB/SA’s Role Regarding Housing Agreement That Are Enforceable Obligations and Require Payments?
Actions That Should Be Taken To Protect Housing Obligations

- Ensure Housing Obligations Listed on ROPS
- First Draft ROPS (1/12-6/12) Due on March 1, 2012
- First ROPS To Be Approved By Oversight Board on April 15, 2012 and Approved by DOF by April 18, 2012
- Second ROPS (7/12-12/12) to be Approved in May and Approved by DOF by Mid-May
- Early and Continued Outreach to Lenders/Title Companies Regarding ABx1 26 Issues

Unresolved ABx1 26
Implementation Issues Abound

- Transfer of Housing Assets From Former RDA to Housing Successor
- Approval of Agreements Obligating 20% Funds After June 28, 2011
- Definition of Housing Assets and Obligations
- Fate of Monies Owed to the 20% Fund
- Fate of Housing Successor Program income
- Addressing Title Company, Lender, and Bondholder Concerns
- Source of Administrative Funds for Housing Successor

March 2012 DOF Housing FAQ
Further Complicates Matters

- Ongoing 20% Fund Deposits not a Housing Obligation
- No Obligations of 20% Fund Allowed After June 28, 2011
- Transfer of Housing Assets to Housing Successor Must Be Approved By Oversight Board and DOF
- Narrow Definition of Housing Asset
- Recapture of Most Program income
- Unfunded Mandates for Housing Successors
WHAT CAN BE DONE TO REMEDY THIS FUNDING LOSS FOR CALIFORNIA AFFORDABLE HOUSING?

Long-Term Need For New Affordable Housing Funding Sources

- In Longer-Run, California’s Most Reliable Funding Source for Production of Affordable Housing Appears Lost Forever
- What Will Replace Redevelopment Housing Funds?
- What Will Be the Impact on California Affordable Housing Production?

2010 Balance of Unencumbered, Undesignated RDA Low-Mod Funds in the Los Angeles Region

Source: [http://www.hcd.ca.gov/hpd/rda/09-10/](http://www.hcd.ca.gov/hpd/rda/09-10/)

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LOSS OF RDA ON PROJECTS

Camino Esperanza
31 homes for adults with developmental disabilities in Simi Valley

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<tr>
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<th>With and without RDA</th>
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<tr>
<td>First Trust</td>
<td>$1,438,661</td>
</tr>
<tr>
<td>Deed</td>
<td></td>
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<tr>
<td>Op. Subs.</td>
<td>$454,254</td>
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<tr>
<td>Tranche</td>
<td></td>
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<tr>
<td>City RDA</td>
<td>$1,500,000</td>
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<tr>
<td>HCD HOME</td>
<td>$3,151,410</td>
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<td></td>
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<tr>
<td>AHP</td>
<td>$300,000</td>
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<tr>
<td>Def Dev Fee</td>
<td>$710,000*</td>
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<td></td>
<td>(Total dev fee $1.4M)</td>
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<td>Def Dev Fee</td>
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<tr>
<td>Tax Credit</td>
<td>$3,432,577</td>
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<tr>
<td>Equity</td>
<td></td>
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*Without RDA we need more HCD HOME funds and defer more developer fees. But only 4 projects will receive awards in CA in 2012. May take several years to receive an award (or a new perm source).

LOSS OF RDA ON PROJECTS

Buellton Seniors
90 rental homes for seniors in Buellton

<table>
<thead>
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<th>With and without RDA</th>
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<tr>
<td>First Trust</td>
<td>$923,279</td>
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<td>Deed</td>
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<td>City RDA</td>
<td>$1,300,000</td>
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<tr>
<td>HOME</td>
<td>$200,000</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>AHP</td>
<td>$500,000</td>
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<td>Def Dev Fee</td>
<td>$500,000</td>
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<tr>
<td>Def Dev Fee</td>
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<td>Tax Credit</td>
<td>$10,744,600</td>
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<td>Equity</td>
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<tr>
<td>Shortfall</td>
<td>$1,300,000</td>
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*Without RDA our tax credit tiebreaker will be much lower. May take several years to receive an award (or a new perm source).

Existing State/Local Programs & Resources Potentially Available for Housing

- Infrastructure Financing Districts
- Sales Tax and Transient Occupancy Tax
- General Fund Annual Budget Allocations
- Use of Surplus Public Land or Land Purchased From Redevelopment Successor Agency
- Development Agreements/Bonus Density/Transfer of Development Rights
- CEQA Streamlining For Sustainable Community Strategy (SCS) Supportive Projects
Potential New Programs and Resources

- Dedication of Former RDA Agency Property Sale Proceeds to Economic Development and Affordable Housing (SB 1151/1156)
- 55% Voter Threshold For Local General Obligation Bonds (ACA 4 and ACA 23)
- AB 32 Carbon Cap and Trade Fees For Local Greenhouse Reduction Capital and Housing Improvements (AB 1532)
- Enhanced infrastructure Financing District Program (SB 214, SB 1417, AB 485, AB 910, AB 2551)
- Reduced Parking Requirements For Urban Sites (AB 710)

Reinventing Affordable Housing Development Finance Without Redevelopment

- Need to Layer Multiple Available/New Programs
- Need To Recreate Stable Longer-Term Funding Mechanisms (AB 1220, etc.)
- Need to Establish Sustainable Focus For Local Public Delivery of Affordable Housing Programs

Questions ON PART 2?

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There is nothing more important than a good, safe, secure home.
- Rosalynn Carter