

**REDEVELOPMENT:
WHAT'S BEEN LOST,
WHAT'S BEEN GAINED?**

HOUSING CALIFORNIA
ANNUAL CONFERENCE
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SESSION 5-09

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Moderators & panelists

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Presentation Overview

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- **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?

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Redevelopment Financial Contributions to Affordable Housing

	FY 2009/10
New Tax increment Deposits	\$1.075 Billion
Program income and Related Revenue	<u>\$0.607</u> Billion
New Housing Revenues	\$1.682 Billion
Expenditures	\$1.841 Billion
New Housing Programs/Production	Nearly \$ 1 Billion

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Redevelopment – Assisted Affordable Housing

FY 2009/10	Units/Households Assisted
New Construction	6,716
Rehabilitation	5,315
Households Assisted	3,408
Other Units Assisted	2,111
Total	17,550

- Largest State Affordable Housing Program
- Most Flexible Gap Funding Source
- Early/Flexible Money Used to Leverage Other Public And Private Sources

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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

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NO MORE!

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- 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**

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Key Questions

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- 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?

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WHAT'S LEFT FROM REDEVELOPMENT FOR AFFORDABLE HOUSING?

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RDA Dissolution/Wind Down Process

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- 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.)

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- 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

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- 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

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- 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?

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Questions ON PART 1?

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WHAT HAPPENS TO PIPELINE PROJECTS AND AGENCY PROGRAMS?

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Can My Housing Agreement Be Terminated?

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- Enforceable Obligation:
 - ▣ Fully executed and duly authorized
 - ▣ Entered into prior to June 28, 2011
- Confusion about types of agreements that can be terminated

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Agreements Between RDA and Public Agencies

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

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Agreement Between Agency And Private Party

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- 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?

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Actions That Should Be Taken To Protect Housing Obligations

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- 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

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Unresolved ABx1 26 Implementation Issues ABOUND

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- 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

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March 2012 DOF Housing FAQ Further Complicates Matters

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- 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

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Long-Term Need For New Affordable Housing Funding Sources

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- 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?

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

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County	Balance (Millions)
SAN LUIS OBISPO COUNTY	\$5
SANTA BARBARA COUNTY	\$9
KERN COUNTY TOTAL	\$16
MONTEREY COUNTY	\$18
VENTURA COUNTY	\$22
RIVERSIDE COUNTY	\$94
ORANGE COUNTY	\$128
SAN BERNARDINO COUNTY	\$177
LOS ANGELES COUNTY	\$226

Source: <http://www.hcd.ca.gov/hpd/rda/09-10/>

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LOSS OF RDA ON PROJECTS

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




*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)

With and without RDA		
First Trust Deed	\$1,438,661	
Op. Subs. Tranche	\$454,254	
City RDA	\$1,500,000	
HCD HOME	\$3,151,410	\$4,425,900* *(221d3 limit)
AHP	\$300,000	
Def Dev Fee	\$710,000* *(total dev. fee \$1.4M)	\$935,510
Tax Credit Equity	\$3,432,577	

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LOSS OF RDA ON PROJECTS

26 **Buellton Seniors**
90 rental homes for seniors in Buellton



*Without RDA our tax credit tiebreaker will be much lower. May take several years to receive an award (or a new perm source)

With and without RDA		
First Trust Deed	\$923,279	
City RDA	\$1,300,000	
County HOME	\$200,000	
AHP	\$500,000	
Def Dev Fee	\$500,000 *(Total Dev Fee \$1.4M)	
Tax Credit Equity	\$10,744,600	
Shortfall		\$1,300,000

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Existing State/Local Programs & Resources Potentially Available for Housing

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- 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

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Potential New Programs and Resources

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- 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)

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Reinventing Affordable Housing Development Finance Without Redevelopment

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- 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

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Questions ON PART 2?

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

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