WHERE DO WE GO FROM HERE?

AFFORDABLE HOUSING AND THE LOSS OF REDEVELOPMENT

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GOLDFARB & LIPMAN LLP

SAN JOAQUIN AFFORDABLE HOUSING SUMMIT
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Presentation Overview

- **Redevelopment Dissolution**: What Has 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 of Affordable Housing**: What’s Next?
# Redevelopment Financial Contributions to Affordable Housing

<table>
<thead>
<tr>
<th></th>
<th>FY 2009/10</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>Total New Housing Revenues</td>
<td>$1.682 Billion</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$1.841 Billion</td>
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Goldfarb Lipman Attorneys
Redevelopment – Assisted Affordable Housing

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

<table>
<thead>
<tr>
<th>FY 2009/10</th>
<th>Units/Households Assisted</th>
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<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>
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<td>Other Units Assisted</td>
<td>2,111</td>
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<td>Total</td>
<td>17,550</td>
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- New Construction: 6,716
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- Households Assisted: 3,408
- Other Units Assisted: 2,111
- Total: 17,550

Source: [Goldfarb Lipman Attorneys](http://www.goldfarb-lipman.com)
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, End of Federal Urban Renewal Program
- **1990s-2010**: State Attempts to Rein-in Redevelopment Powers, Dedicate Funds for Affordable Housing 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 State of California
Key Questions

- What’s left from Redevelopment for Affordable Housing?
- What is happening to pipeline housing projects?
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 Local and State Government
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
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

- No Funding for Housing Successor Activities
2010 Balance of Unencumbered, Undesignated RDA Low-Mod Funds in the San Joaquin Valley

<table>
<thead>
<tr>
<th>County</th>
<th>Millions</th>
</tr>
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<tbody>
<tr>
<td>Madera County</td>
<td>2.8</td>
</tr>
<tr>
<td>Kings County</td>
<td>6</td>
</tr>
<tr>
<td>San Joaquin County</td>
<td>7.8</td>
</tr>
<tr>
<td>Merced County</td>
<td>9.9</td>
</tr>
<tr>
<td>Kern County</td>
<td>17.8</td>
</tr>
<tr>
<td>Fresno County</td>
<td>20.2</td>
</tr>
<tr>
<td>Tulare County</td>
<td>24.9</td>
</tr>
<tr>
<td>Stanislaus County</td>
<td>33.6</td>
</tr>
<tr>
<td>Total for 8 Counties</td>
<td>123</td>
</tr>
</tbody>
</table>

Source: [http://www.hcd.ca.gov/hpd/rda/09-10/](http://www.hcd.ca.gov/hpd/rda/09-10/)
WHAT HAPPENS TO PIPELINE PROJECTS AND AGENCY PROGRAMS?
Can A 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 Recognized Obligation Payment Schedule (ROPS)
- 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
DOF Housing Guidance 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
Overall Effect on Communities

- Larger Cities with Extensive Redevelopment (e.g., Fresno) May Find it Hard to Replace Lost Funding
- Smaller Cities (e.g. Livingston) May Have Alternatives for Increased Funding
- New Construction is More Expensive than Acquisition, Preservation and Rehabilitation
- Inclusionary Housing Faces Political & Market Issues
State & Local Programs Available for Housing

- Special Districts—Infrastructure Financing, Community Facilities, Assessments and Business Improvement
- HCD and CalHFA Programs
- 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/Local Development Incentives/Inclusionary Housing
- Infrastructure Loan Program
- Historic Preservation Local Tax Abatement
- CEQA Streamlining For Sustainable Community Strategy (SCS) Supportive Projects
Federal Programs Available for Housing

- Low Income Housing Tax Credits
- Tax Exempt Bonds
- New Markets Tax Credits
- Historic Tax Credits
- HUD Programs
- USDA Programs
- Renewable Energy Tax Credits
- EPA Brownfields Loans and Grants
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)
WHAT IS TO BE DONE?

- Preservation & Rehabilitation of Existing Affordable Housing
- Acquisition & Conversion of Existing Market Rate Units to Affordable Housing
- New Construction with Scarce Sources—HUD 202/811; USDA Rental Assistance; HCD HOME
- Emphasis on Rental Rather Than Homeownership
- Local Programs for Specific Situations
“The Future’s So Bright, I Can’t Bear To Look”
Tom Tomorrow

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