

# The Loss of Redevelopment Funding for Affordable Housing

Bay Area League of Women Voters Day

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# Redevelopment Financial Contributions to Affordable Housing (2009-10)

- \$1.075 Billion Of New Tax Increment Deposits
- \$0.607 Billion Of Program Income And Related Revenue
- \$1.682 Billion Of Total New Housing Revenues
- \$1.841 Billion Of Expenditures
- Nearly \$1 Billion Directly Spent For New Housing Programs/ Production

## Redevelopment – Assisted Affordable Housing (2009-10)

- 17,550 Units/Households Assisted, Including:
  - 6,716 Units Constructed
  - 5,315 Units Rehabilitated
  - 3,408 Households Assisted
  - 2,111 Other Units Assisted
- The Largest State-Funded Affordable Housing Program
- Most Flexible Gap Funding Source To Leverage Other Public And Private Sources

# NO MORE!

- On February 1, 2012, All 400 Redevelopment Agencies (RDAs) In California Were Dissolved
- The Future Flow Of Property Tax Increment For New Affordable Housing Activities Was Ended
- Most Former Redevelopment Agency Programs Are Being Unwound; Assets Are Being Liquidated
- Goal Is To Free Up Over \$5 Billion Of Property Taxes Formerly Received By Redevelopment Agencies For Distribution To Local Governments And Schools/ State Of California

# Key Questions

- How Could The State Come To This Position?
- What's Left From Redevelopment Housing Assets To Carry On?
- What Can Be Done To Remedy This Financial Disaster For California Affordable Housing?

# The Life And Death Of California Redevelopment

# Life and Growth

1940s-50s: Redevelopment And Tax Increment Financing Established

1960s-70s: Redevelopment Matures In Larger Cities

1970s-80s: Proposition 13, Proposition 98 And School Funding Legal Decisions Create Growing Tensions Between State Budget And Local Redevelopment

Redevelopment Expands Rapidly In Small And Mid-Sized Communities

# Conflict and Crisis

1990s-2009: Efforts To Reform And Rein-In  
Redevelopment

State Takes Away Redevelopment  
Funds To Help Solve State Budget  
Crises – Eight Separate Times

By 2010: RDAs Claim Over \$5 Billion of Annual  
Tax Increment

State Believes RDA Financing  
Harms State Budget By Up To  
\$2 Billion Annually



# Demise and Dissolution

- November 2010: Voters Approve Proposition 22  
Preventing Future State Takeaways  
of Tax Increment Allocated to RDAs
- January 2011: Governor Proposes Budget That  
Would Completely Eliminate RDAs
- March 2011: Governor's Proposal To End  
Redevelopment Barely Fails On 2/3  
Vote In Assembly

# Demise and Dissolution (continued)

- June 2012: As Part of FY 2011-12 Budget,  
Legislature Passes Two-Bill Program  
For Redevelopment
- First Bill (AB26) Dissolves All RDAs
  - Second Bill (AB27) Allows RDAs To  
Opt-In To A Smaller Redevelopment  
Program

# Demise and Dissolution (continued)

July 2012: Over 80% Of RDAs Signal Intent To Opt-In To Continued Down-Sized Redevelopment Program

July 2012: League of California Cities/California Redevelopment Association Sue State In Supreme Court To Overturn Entire Two-Bill Program

# Demise and Dissolution (continued)

December 2011: Supreme Court Finds States Ability To Dissolve RDAs Constitutional (RDA Existence Not Protected By Proposition 22)  
But  
Finds Voluntary Opt-In Program Unconstitutional (Violates Proposition 22)

# Demise and Dissolution (continued)

February 2012: All 400 RDAs Dissolved  
Unwind Process Of Former  
RDAs Begins

# 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

# RDA Dissolution/Wind Down Process (continued)

- Housing Functions 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 Functions Successor Does NOT Receive Existing Fund Balance In Dissolving RDAs 20% Set-Aside/Low And Moderate Income Housing Fund!
  - That Amount Is Directed Under Current RDA Dissolution Law (AB26) To Go To Successor Agency For Use In The RDA Wind Down Process – NOT For Continued Affordable Housing

# Treatment of Housing Fund Balance – Proposed SB 654

- SB 654 (Steinberg) Would Reverse This Outcome
- At Issue Is Approximately \$1.4 Billion of Unencumbered Housing Fund Balances That Could Continue Local Affordable Housing Activities In The Short-Run
- Passed Senate 34-1 On A Non-Urgency Basis On January 31 And May Be Considered As A Budget Trailer Bill (Political Maneuvering Prevented Passage On An Urgency Basis)

# Long-Term Need For New Affordable Housing Funding Sources

- In The Longer-Run, California's Most Reliable Funding Source For Production Of Affordable Housing is Lost Forever
- What will Replace Redevelopment Housing Funds?
- What Will Be The Impact On California Affordable Housing Production?