THE FUTURE OF REDEVELOPMENT
AFFORDABLE HOUSING

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by
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ABSTRACT OF THE THESIS

The Future of Redevelopment Affordable Housing
by
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On February 1, 2012 California Redevelopment Agencies (RDAs) were shut down across the state of California. There were many reasons why this was done. First and foremost, there was a heavy recession in California at the time and Governor Jerry Brown believed the money could be better spent elsewhere. With a significant budget crisis on their hands, the California legislature agreed that putting redevelopment dollars into schools and other areas of government would be a better use of tax payer dollars.

This paper will explore the role of redevelopment agencies and what entities, if any, can step in to take their place in the wake of this major development. The main focus of this paper will be on the funding and redevelopment of San Diego affordable housing and exploring whether the activities formally executed by RDAs can continue to exist.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
</tr>
<tr>
<td>CHAPTER</td>
</tr>
<tr>
<td>1 INTRODUCTION</td>
</tr>
<tr>
<td>2 BACKGROUND RESEARCH</td>
</tr>
<tr>
<td>ABX1 26</td>
</tr>
<tr>
<td>California Redevelopment Agencies</td>
</tr>
<tr>
<td>California Affordable Housing</td>
</tr>
<tr>
<td>San Diego Redevelopment Agencies and Affordable Housing</td>
</tr>
<tr>
<td>More on Redevelopment Agency Affordable Housing Programs</td>
</tr>
<tr>
<td>San Diego Redevelopment Affordable Housing Projects</td>
</tr>
<tr>
<td>Will the Redevelopment Agency Be Missed?</td>
</tr>
<tr>
<td>Opposition to Redevelopment</td>
</tr>
<tr>
<td>Advocates of Redevelopment</td>
</tr>
<tr>
<td>Redevelopment and Affordable Housing Finance</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits (LIHTC)</td>
</tr>
<tr>
<td>Tax Exempt Bonds</td>
</tr>
<tr>
<td>Grants</td>
</tr>
<tr>
<td>HOME</td>
</tr>
<tr>
<td>Inclusionary Fees</td>
</tr>
<tr>
<td>Housing Trust Funds</td>
</tr>
<tr>
<td>3 METHODOLOGY</td>
</tr>
</tbody>
</table>
Part I
Participants
Data Collection Method
Format

Part II
Participants
Data Collection Method
Format

4 FIELD RESEARCH FINDINGS
San Diego Affordable Housing without RDAs
How is Your Organization Funded?
How Has the Closing of the San Diego RDA Affected Your Organization’s Affordable Housing Projects?
Could Your Organization Take Over the Affordable Housing Duties Previously Administered By the San Diego Redevelopment Agency?
What Types of Funding is Your Organization Looking into for its Current Affordable Housing Projects to Replace Redevelopment Funding?
What Type of Funding is Your Organization Looking into to Permanently Replace Redevelopment Funding?

Non-Profits
How are Your Affordable Housing Projects Funded?
How Will the Closing of the San Diego Redevelopment Agency Affect Your Organization’s Affordable Housing Projects?
What Types of Funding, if any, is Your Organization Looking into for Current Affordable Housing Projects to Replace Redevelopment Funding?
What Type of Funding is Your Organization Looking into to Permanently Replace Redevelopment Funding?
CHAPTER 1

INTRODUCTION

On February 1, 2012 California Redevelopment Agencies (RDAs) were shut down across the state of California. There were many reasons why this was done. First and foremost, there was a heavy recession in California at the time and Governor Jerry Brown believed the money could be better spent elsewhere. With a significant budget crisis on their hands, the California legislature agreed that putting redevelopment dollars into schools and other areas of government would be a better use of tax payer dollars.

This paper will explore the role of redevelopment agencies and what entities, if any, can step in to take their place in the wake of this major development. The main focus of this paper will be on the funding and redevelopment of San Diego affordable housing and exploring whether the activities formally executed by RDAs can continue to exist.

Redevelopment agencies in California began in 1945. Redevelopment funding is based on tax increment financing. Tax increment financing is a public financing tool, which subsidizes redevelopment in blighted neighborhoods.

Capturing the tax increment allows municipalities to pay for improvements without relying on other government funding or implementing other forms of debt that could put the local government’s general fund at risk (Council of Development Finance Agencies). City money for police, fire, parks and streets, called the general fund, is kept separate from redevelopment monies. In 2011-2012 California redevelopment agencies brought in an estimated 5.2 billion dollars (Whitaker). This money was used to fund RDAs administration and finance redevelopment projects that produced jobs throughout the state.
The purpose of redevelopment is to remove blight. This is done through economic development, affordable housing programs and commercial and neighborhood revitalization. The redevelopment agency had a management team and a debt and financial management team. Together these components made up the foundation of a redevelopment agency. Each redevelopment agency was unique because it functioned based on the needs of its community. However there were core activities that were similar in each agency.

One of the core functions of the redevelopment agency was to provide affordable housing to blighted neighborhoods. In California, RDAs were required to allocate twenty percent of their resources to providing affordable housing. In the past, these funds have been used to partner with multiple agencies to accomplish the mission of better, more affordable housing. With the elimination of RDAs there is now a question of what will happen to affordable housing in cities like San Diego.

There is a great deal of discussion in California regarding whether or not redevelopment agencies should have closed. A recent survey of citizens by the City of San Diego, done before the end of redevelopment, found that only 29 percent thought housing was affordable in the area (City of San Diego). The end of redevelopment has affected several affordable housing agencies in San Diego and throughout the state of California. The people that rely on affordable housing will of course be the hardest hit by the end of redevelopment if housing becomes harder to find in the State. And as the recession continues, more and more people will need affordable housing. As a result, the State will have to respond to the needs of the people and those agencies that provide affordable housing to them.
This paper will look at what the affordable housing objectives of redevelopment agencies were. It will specifically look at San Diego’s RDA affordable housing programs, its advocates and opposition.

My field research will address how the end of redevelopment will impact affordable housing. It will assess which agencies have the capabilities to take over San Diego’s RDA administrative capacities. Lastly, my research will determine what financing options and business methods are being considered by those entities that need to replace tax increment financing dollars.

This paper will demonstrate that:

1. Redevelopment was integral to funding vital affordable housing projects and the 20 twenty percent tax increment cannot be replaced by current sources of funding.
2. Redevelopment affordable housing programs will continue but in a different form.
CHAPTER 2

BACKGROUND RESEARCH

Chapter two of this text provides background research on redevelopment and affordable housing in California and the City of San Diego. The chapter begins with information on ABx1 26. It then details the administrative and financial roles of redevelopment in California and more specifically in San Diego. The chapter discusses how the end of redevelopment has impacted affordable housing in San Diego. Finally, this section discusses popular finance options in affordable housing that may be utilized to replace tax increment financing.

ABx1 26

The bill ABx1 26 provides for the dissolution of redevelopment agencies. The legislature declared:

Upon their dissolution, any property taxes that would have been allocated to redevelopment agencies will no longer be deemed tax increment. Instead, those taxes will be deemed property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agencies, with remaining balances allocated in accordance with applicable constitutional and statutory provisions. (California Department of Finance)

As a result of ABx1 26, the legislature:

Barred existing redevelopment agencies from incurring new obligations; allocated property tax revenues to successor agencies for making payments on indebtedness incurred by the redevelopment agency prior to its dissolution and allocated remaining balances in accordance with applicable constitutional and statutory provisions. (California Department of Finance)

Beginning October 1, 2011, tax increment funds were allocated to cities, counties, special districts, and school and community colleges. At that time the legislation required
successor agencies to “expeditiously wind down the affairs of the dissolved redevelopment agencies and to provide the successor agencies with limited authority that extends only to the extent needed to implement a wind down of redevelopment agency affairs” (California Department of Finance).

**CALIFORNIA REDEVELOPMENT AGENCIES**

One of the primary functions of redevelopment was to expand the supply of low-moderate income housing. California Redevelopment Law (CRL) specified that twenty percent of redevelopment revenues must be allocated to affordable housing programs. In 1991, the Development Fund published “Making Housing Set-Aside Funds Work” which discussed some of the issues facing RDAs and affordable housing. The following areas were established as critical for successful RDAs participation in affordable housing development:

- Leveraging multiple sources of funding
- Creating provisions for investment recapture
- Maximize the terms of affordability
- Building community and political support
- Working with capable partners
- Selecting carefully between rehabilitation and new construction strategies
- Sharing project risks
- Integrating social services into housing projects

A study done by the State Treasurer on redevelopment best practices summed up these areas with three distinct functions. The functions were emphasized as critical for the execution of affordable housing by redevelopment agencies and include assessing project area housing needs, maximizing the effectiveness of RDAs housing investment, and developing expertise in new forms of housing (Goldfarb and Lipman).
In order to fully understand the needs of economically blighted areas proper research was necessary to develop strategies that identify specific housing requirements in a given community. Two types of assessment were used by RDAs to identify the needs of a population. These assessments included the Housing Element and General Plan and the Department of Housing and Urban Development (HUD) Consolidated Plan.

It was important that RDAs also became involved in their communities so they better understood the housing needs of specific populations. For example, understanding the needs of the homeless population and new forms of affordable housing with integrated social services was very important. Other populations included the elderly, children and mentally and physically disabled persons, among others (Goldfarb and Lipman).

RDAs maximized their investment effectiveness through partnerships. Many of the projects that RDAs were involved with were funded by multiple sources and RDAs were partners with many organizations on affordable housing projects. This made affordable housing projects more expensive than necessary because of all the funding layers. As a result of this, it was important RDAs maximized the effectiveness of their money and tried to keep project costs low. There were several investment strategies that were key to this effort. They included combining investments with cities, partnering with local non-profits, utilizing Community Reinvestment Act funds, limiting RDAs investment to a given percentage, and researching new construction vs. buying (Goldfarb and Lipman).

**California Affordable Housing**

California is a diverse state that provides economic opportunities for many who live and migrate to the region, but California can also be an expensive place to live. Its affordable
housing doesn’t provide nearly enough housing for the millions of people that call the state their home.

In a study titled, “Community Development Assessment for the State of California,” it was determined that the:

Housing supply in California remains tight, which has contributed to a serious shortage of affordable housing in the state. Rental housing is not affordable for lower-income individuals and families, as California has the most unaffordable rental housing in the country. A recent analysis by the state’s Department of Housing and Community Development suggests that California’s housing woes will likely plague the state well into the future and that aggressive action will be necessary to address them. (Hughes)

The study further states that most of California’s residents spend more than 30 percent of their income on housing. According to HUD 30 percent is the most one should spend on housing. Additionally, the study found that the state needs to add 220,000 housing units per year to keep up with population growth, but in actuality, far fewer are being built each year (Hughes). The end of redevelopment will result in even fewer units being built as over a billion dollars is taken away from affordable housing suppliers.

**SAN DIEGO REDEVELOPMENT AGENCIES AND AFFORDABLE HOUSING**

Redevelopment affordable housing was administered on a local basis. The San Diego Redevelopment Agency’s purpose was to support affordable housing projects, assist first time home buyers, provide housing enhancement loans, and take part in an affordable housing collaborative program. It oversaw these programs through several avenues. Its Affordable housing projects are either for sale, for rent, for special purpose or designated under construction. Some developments are geared toward first-time home buyers, others provided affordable rent for individuals and families, and others are specially created for specific populations like veterans or disabled residents.
Research has found that areas with high homeowner occupancy create increased stability and economic prosperity in the community. Because of this, the San Diego Redevelopment Agency focused on helping first-time home buyers in city redevelopment areas. An example of one of the programs the RDA provided was the assistance program, Home in the Heights.

Similar to loans for first-time home buyers, housing enhancement loans help those with low to moderate incomes transform their homes and reduce neighborhood blight. The program has been offered in multiple areas including City Heights, College Grove, Grantville, Linda Vista, among others (City of San Diego).

Lastly, the San Diego Redevelopment Agency took part in an affordable housing collaborative program, which consisted of the Redevelopment Agency (the City's Redevelopment Department, Centre City Development Corporation, and Southeastern Economic Development Corporation) and the San Diego Housing Commission. The Collaborative was assembled so together they could make the best of their combined resources. From 2002 to 2010 the collaborative provided millions of dollars to projects dedicated to affordable housing. One such example was a 55 million dollar pool of secured assets to assist in developing affordable housing citywide. The result was 1055 affordable bedrooms. Over the years the collaborative has produced such results for multiple redevelopment projects. The Redevelopment Agency managed projects for low to moderate household incomes from finance to finish for over a decade (City of San Diego).
MORE ON REDEVELOPMENT AGENCY AFFORDABLE HOUSING PROGRAMS

The city of San Diego in collaboration with the housing commission offer several channels for San Diegans to take advantage of affordable housing programs. In order to qualify for these programs you have to prove that you are financially unable to afford housing and rehabilitation without the city’s assistance. Eligibility is based on the Area’s Median Income (AMI) compared to the family or individual’s income.

There are three programs available to help first-time home buyers purchase their first home; the shared appreciation loan, deferred loans funded by the Federal HOME Program and the Closing Cost Assistance Grant which functions as an IRS tax credit. City wide housing rehabilitation programs are funded through several types of grants and loans that serve a wide variety of property types. These loans include 0% deferred payment loan 0% for lead remediation, 1% deferred payment loan, lead safe San Diego grant, mobile home repair grant, and tenant accessibility grant (San Diego Housing Commission).

The Rental Assistance program, “Housing Choice Voucher” or “Section 8” is run through the Housing Commission’s Rental Assistance and Public Housing Program and helps low-income families, seniors, and persons with disabilities afford their rent through supplemental rent payments from the Housing Commission paid directly to private landlords. Both programs have waiting lists of up to eight years. Affordable apartments that are not part of Section 8 housing are also available throughout the city. These apartments were built by developers who have benefited from RDAs and the Housing Commission’s funding, incentives and low-interest loans (San Diego Housing Commission).
SAN DIEGO REDEVELOPMENT AFFORDABLE HOUSING PROJECTS

San Diego’s Redevelopment Agency participated in several housing development projects throughout the city. The projects were constructed in the following areas of the city: Barrio Logan, City Heights, College Community, College Grove, Crossroads, Grantville, Linda Vista, Normal Heights, Naval Training Center, North Bay, North Park, San Ysidro. They were built by developers who bid on the projects. The following are a few examples of housing projects San Diego’s RDA has created.

Renaissance Townhomes and Apartments are located in the North Park project area, consist of 110 units. These units are classified for sale and for rent and are built for seniors. The housing was considered blighted and as a result, was considered for improvements. The total development cost was $25,100,000 with a subsidy of $5,200,000 and a subsidy of $48,148 per unit. The funding came from a Redevelopment Agency Grant and a tax increment (City of San Diego).

Another type of affordable housing development is classified as special purpose and considers social services that inhabitants may need. These units are designated for people with special circumstances or special needs. Veterans, the disabled, foster kids and the homeless are a part of this category. The 35 St Apartments are located in the Normal Heights Neighborhood. This building was rehabilitated to serve as a special purpose project. It was funded by a Redevelopment Agency Grant and the HOME project (City of San Diego).

WILL THE REDEVELOPMENT AGENCY BE MISSED?

The San Diego Redevelopment Agency has dedicated its resources and engaged in numerous partnerships in order to provide programs that address affordable housing needs. The question now is will the RDAs affordable housing program be missed in San Diego?
One article by Susan Tinsky of the San Diego Housing Federation, points out that San Diego is a very expensive city for people to live in and that 56 percent of San Diegans can’t afford a two-bedroom apartment (Tinsky). Stories that demonstrate the need for affordable housing have been written throughout the last year since it was first announced that RDAs were in jeopardy. Not all research points to redevelopment as the solution to San Diegans’ housing problems.

**OPPOSITION TO REDEVELOPMENT**

In a research article on how residents feel about Redevelopment in their neighborhood, Sherry Ryan of San Diego State University found that the satisfaction decreased after redevelopment had occurred. The majority of residents were less satisfied with aspects of their new neighborhoods than with their previous neighborhood in City Heights. Their overall neighborhood satisfaction fell from 2.84 to 2.56 after relocation. This trend existed for housing quality and housing cost as well. Housing quality satisfaction dropped from 2.72 to 2.36, with 4 being the highest and 1 the lowest. Housing cost satisfaction had the most significant decline dropping from 3.08 to 1.88 (Ryan).

There are some that have also reported corruption within the affordable housing community. In a report by the California Senate Rules Committee, Fall of 2010 titled, “Where Does the Affordable Housing Money Go?” It was found that administrative spending by redevelopment agencies lacked accountability. Numerous RDAs throughout California were used as test organizations in the study. They found that the agencies could provide no assurance, had lax records and loose laws, messy data, questionable spending, unreliable audits and code enforcement. While this study did not include San Diego, it was still
affected. New rules were put in place to govern affordable housing and RDAs which opened the door for further scrutiny of these organizations (Vogel).

Additionally, in another study done by the state, it was found that redevelopment agencies conducted business in ways that reduced their housing program productivity. This included: maintaining balances of unspent housing funds, using most of the housing funds for administration and planning, and buying land with the housing money but not building on it for a decade or longer (Wolk).

Lastly, studies have shown redevelopment deals were often complex and could sometimes get stalled. On average about 50 percent of redevelopment areas in California have been unsuccessful. San Diego has had its fair share of problems with redevelopment. Barrio Logan is an example of one of the least successful project areas in town. It took 20 years for a major development to get started there (Orr).

**ADVOCATES OF REDEVELOPMENT**

Still affordable housing for many San Diegan’s means a roof over their head where there may not otherwise be one. San Diegans like Trina Ybarra, a 29-year-old single mom, have come to count on the affordable housing dollars that come in every year thanks to redevelopment funds. Before Trina applied for affordable housing she could barely pay to live in a tiny apartment with her two kids. Thanks to San Diego’s programs she now has a three bedroom apartment she can afford with her $14 an hour job (St. John).

Many affordable housing units similar to the one Trina lives in with her children are now hanging in the balance. According to the Centre City Development Corporation (CCDC), 550 units are in danger of never getting off the ground. Derek Danziger of the
CCDC said “The elimination of redevelopment agencies could affect projects like the planned conversion of the Hotel Churchill into affordable housing” (Carroll).

The major concern of many voices in affordable housing is that redevelopment served as a partner on so many projects. It also acted as a sort of catalyst for developing affordable housing. According to Susan Tinsky of the San Diego Housing Federation:

Funding for affordable housing is like a layer cake - it comes from lots of different sources: state bonds, federal community block grants, and so on. But redevelopment dollars come from local property taxes which are paid by residents like you or me. Those local tax dollars are key because they’re used as matching funds to attract state and federal grants. (St. John)

These state and federal grants have the potential to disappear with redevelopment. And this could mean the end of vital housing projects in the city of San Diego.

The same study by the state legislature that named the main problems with the RDAs affordable housing program also listed the unintended consequences of eliminating redevelopment. Most notably it gave a case that explained how communities that desperately need these resources would never be able to pull themselves up and out of their despair but for the tools of redevelopment. The study states that while other housing authorities can handle some aspects of public housing needs, affordable housing cannot exist as it does today without the RDA partnerships (Wolk).

The impact of redevelopment was further examined through an online interview with the Opportunity Fund, an organization that finances microloans for small businesses, micro savings accounts, and community real estate. In an interview with Toby Lieberman, their Loan Program Director, she explained the change in affordable housing won’t be recognized for a few years, but when the recession lifts there will be much fewer affordable housing projects available.
When Lieberman was asked how the change is impacting lending she finished by saying:

We are getting different types of loan requests – we’ve been working on more single family home projects than ever before. For example, we’re working with Habitat for Humanity Silicon Valley – a new partner for us. We’ve always been creative, but that is even more important now – to figure out how to be useful for our developer partners in this environment. (Brown)

According to an article called “Life after RDAs,” big developers are taking a hard look at their pipeline of projects. “We also started relooking at all of the projects to turn them around to use HOME and other funds from local housing departments” (Kimura), says Arjun Nagarkatti, president of AMCOL, one of California’s largest affordable housing developers. Many developers will have to look for new forms of finance, but where will they look?

**REDEVELOPMENT AND AFFORDABLE HOUSING FINANCE**

Redevelopment affordable housing was financed by tax increment financing. There are several other forms of financing that redevelopment affordable housing projects utilize besides TIF. Some of these options may help close the gap for housing organizations as they struggle to find financing during these turbulent economic times. There are five commonly used forms of funding that I will discuss and they include:

- Tax credits
- Tax exempt bonds
- Grants
- Inclusionary fees
- Housing trust funds

**Low Income Housing Tax Credits (LIHTC)**

In order to incentivize the private sector to invest in affordable housing, Congress established the LIHTC program. The way it works is federal housing tax credits are awarded
to developers through an application process that determines qualified projects. Developers can then sell the awarded credits to investors to generate capital. This process helps developers reduce the amount of debt they have to borrow. As a result of the tax credit program developers can provide tenants with more affordable rents (U.S. Department of Housing and Urban Development). Currently the tax credit pricing is very high. This means that developers can sell their credits to investors and receive a higher rate of return. This generates more capital for the developer’s housing project.

**Tax Exempt Bonds**

According to the Small Business Administration, “Tax-exempt bonds are debt securities issued by a state or local government development agency. Once issued, tax-exempt bonds are sold in the open market or purchased by investors or financial institutions” (The U.S. Small Business Administration). Interest is exempt from state and local taxes. This means the lender can offer savings to the borrower in the form of lower interest rates.

Tax-exempt bonds are like conventional loans because borrowers have to pay back the bond’s principal plus interest. Tax-exempt bonds offer long term financing at much lower rates than regular financing (The U.S. Small Business Administration). Under the federal tax code the following types of projects are eligible for tax exempt financing.

- 501(c)3 nonprofit real estate and equipment
- Affordable rental housing
- Assisted living and long term care facilities
- Public infrastructure projects
- Municipal and governmental projects
**Grants**

There are numerous grants to be found on a federal, state and local level. Many housing developers find grants by hiring a grant writer who sifts through the many pages of grants and writes grant applications for applicable programs. The most common place to find grants is through the website grants.gov. Many of the grants are through the Department of Housing and Urban Development.

One of the most popular grants available through HUD is the Community Development Block Grant (CDBG) program. A formula is used to determine how much money an organization can qualify for. This formula includes factors such as the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas. The CDBG program offers annual grants to local government and States so they can handle community development needs (U.S. Department of Housing and Urban Development).

**HOME**

Used to create thousands of affordable housing units for low-income households, HOME is the largest Federal block grant offered to state and local governments. Communities use the grant in concert with other forms of funding and to partner with local non-profits on a variety of projects. HOME provides money for activities that construct, buy and/or rehabilitate housing. The affordable housing is used either as rentals or for homeownership. Each year HOME distributes $2 billion among the states and hundreds of localities across the country. HOME Investment Trust Funds are created for each recipient and a line of credit is available which grantees may use when necessary (U.S. Department of Housing and Urban Development).
Inclusionary Fees

Inclusionary zoning requires a given share of new construction to be affordable by people with low to moderate incomes. Often times rather than setting aside new construction for low to moderate income families, developers can pay an inclusionary fee. The fee is used to develop affordable housing in the city in which it is collected. The city of San Diego requires residential developers and affordable housing developers follow these guidelines:

The Inclusionary Housing Ordinance applies to all new residential development (including condominium conversions) of 2 or more units, and requires the payment of an inclusionary affordable housing fee. Instead of paying this fee, applicants may elect to set aside at least 10 percent (5 percent for condominium conversions) of the total number of for-sale dwelling units in the project for households earning no more than 100 percent of the area median income (AMI), subject to agreements with the San Diego Housing Commission. (City of San Diego)

Housing Trust Funds

According to The Housing Policy Organization, “Housing trust funds are separate funds established by states or localities to provide a stable source of revenue reserved solely for affordable homes” (The Housing Policy Organization). They are created at the state or local level. Dedicated housing trust funds, as they are known, are a source of revenue that will provide resources on a continuous basis without the need for annual appropriations. Housing Trust funds are a stable way of guaranteeing long term financing for affordable housing needs, but are subject to some instability as they are tied to private markets. Housing trust funds are also funded through direct appropriations. This type of funding is much less stable than dedicated housing trust funds (The Housing Policy Organization).

As expressed earlier in this section by Susan Tinsky, affordable housing finance is like a layer cake. It takes many sources of funding to complete a project. Some organizations will attempt to utilize some of the funding sources listed above to close the gap caused by the
end of redevelopment. But will there be money available for them? If not, what types of financing will organizations make use of to fund their projects. My field research aims to discover these answers.
CHAPTER 3

METHODOLOGY

There are two parts to the methodology portion of this text. Part I and Part II explain the basis of the research, the participants used, the data collection method and the format of the field research.

PART I

The basis of my research was a qualitative approach. I designed a questionnaire that was distributed to members of the San Diego redevelopment affordable housing community. The goal was to distribute and receive responses from individuals who have worked with the San Diego Redevelopment Agency. Questionnaires were distributed to both public and non-profit agencies. The objective of the questionnaire was to understand the impact the closing of the San Diego Redevelopment Agency will have on affordable housing in San Diego. The responses to the questionnaire also provided information on alternative funding agencies are considering.

Participants

The questionnaire was distributed to eight different agencies. In total five agencies responded. A total of three public agencies responded to the survey. They include, City Centre Development Corporation, South East Development Corporation, and the San Diego Housing Commission. A total of two non-profits participated. They included Bridge Housing of San Diego and Wakeland Housing Development Corporation.
Data Collection Method

The questionnaire was distributed through e-mail and responses were received either by phone or by email. I spoke with each of the respondents before sending out the questionnaire.

Format

The questionnaire consisted of four to five open ended questions. I wanted the respondents to express their knowledge and feelings about the closing of RDAs as openly as possible. Sample questions include: (1) How is your organization’s Affordable housing funded? (2) How will closing the San Diego Redevelopment Agency affect your organization’s affordable housing projects?

PART II

The Second part of my field research was also qualitative and involved calling on associations, state and federal officials to discuss the future of redevelopment affordable housing. This research was done as a follow up to my initial questionnaire. The objective of the second round of research was to discover financing alternatives for affordable housing.

Participants

Participants include Department of Finance, Department of Housing a community Development, California State Treasurer’s Office, The California Redevelopment Association, and the San Diego Division of the US Department of Housing and Urban Development.
Data Collection Method

The interviews were all conducted via telephone. I spoke with each respondent directly and wrote down their answer as we discussed the issues.

Format

There was no set format for these calls. I began with key questions and let the conversation go where it needed to. I started out the conversation with example questions such as: (1) What types of funding do you think can permanently replace redevelopment increment financing? (2) Do you think the end of redevelopment will permanently affect affordable housing?
CHAPTER 4

FIELD RESEARCH FINDINGS

Chapter four of this paper provides the research findings of this text. Questions regarding the future of affordable housing are addressed. The answers from several agencies are detailed in the sections below.

SAN DIEGO AFFORDABLE HOUSING WITHOUT RDAs

Redevelopment affordable housing is not administered and funded by one organization. As mentioned in previous sections, affordable housing is a series of partnerships among organizations. Many of these partners rely on RDAs to fund their affordable housing projects. How will the end of RDAs affect them? Will it affect them at all? There is much conversation on the question of whether the redevelopment agencies were really necessary for the successful execution of affordable housing, or if other housing authorities are capable of taking over the role of RDAs in affordable housing. If these agencies are capable of handling affordable housing, can they sustain their projects without the housing dollars RDAs brought to the table? If not, what other means of financing and project development are they planning to utilize?

There are several organizations that participate in affordable housing administration with the city of San Diego. For the purpose of this paper the San Diego Redevelopment Agency’s former collaborative partners, Centre City Development Corporation (CCDC), Southeastern Economic Development Corporation (SEDC) and San Diego Housing Commission (SDHC) were interviewed. Each of these groups works together on affordable
housing projects, but may also administer its own redevelopment projects. For example, CCDC has administered redevelopment projects such as Horton Plaza in downtown San Diego.

The Centre City Development Corporation was created to eliminate blight in the downtown area of San Diego. Their project areas have included Civic Core, Columbia, Convention Center, Cortez Hill, East Village, Gaslamp/Horton, Little Italy and the Marina. Since CCDC's creation in 1975, more than 3,500 affordable housing units have been built in downtown neighborhoods. Downtown redevelopment funds have also contributed to the construction of affordable housing in communities outside downtown. Approximately $43 million of downtown redevelopment funds have been used to build approximately 1,000 affordable units in communities such as City Heights, North Park, Barrio Logan and North Bay. I interviewed Eri Kameyama, Senior Project Manager, Redevelopment, for the Centre City Development Corporation.

The Southeastern Economic Development Corporation was created to remove blight in southeast San Diego. Established in 1981, its project areas include Central Imperial, Gateway Center West, Mount Hope and Southcrest, and the Dells Imperial Study Area. I interviewed Sherry Brooks, Project Manager for Southeastern Economic Development Corporation.

The San Diego Housing Commission (SDHC) administers several programs that create affordable housing opportunities. It participates in the construction of affordable housing in the city of San Diego and provides funds for first-time home buyers and housing rehabilitation. The SDHC is responsible for carrying out federal housing assistance programs such as section 8 housing and other rent subsidies. The organization has a budget of $320
million for 2012. I interviewed Ann Kern, Director, Housing Development and Finance, Real Estate Department, San Diego Housing Commission.

I asked each of interviewees the following questions regarding the end of redevelopment and the future of redevelopment affordable housing. Their answers are provided below.

**How is Your Organization Funded?**

About 90% of revenues are coming from Tax Increment (for FY2012, $122M out of $140M total revenue). We set aside 20% of the Tax Increment for affordable housing purposes and that is the source of affordable housing projects/programs. (Kameyama, Eri. Telephone interview. 26 Mar. 2012)

SEDC projects in the past have been funded through the redevelopment tax increment, CDBG, HUD funds, economic development and other grants. (Brooks, Sherry. Telephone interview. 7 Mar. 2012)

The San Diego Housing Commission is funded through a variety of federal, state, and local sources. SDHC’s fiscal year 2012 budget of $285 million includes funding sources from Section 8, HOME funds, Inclusionary Housing funds, Community Development Block Grant (CDBG) funds, and Neighborhood Stabilization Program (NSP) funds. SDHC’s funds consist mainly of federal sources (76%) due to our biggest program, the Section 8 program. Local sources are our next largest source of funds (23%) and State sources provided approximately 1% of our budget.

SDHC funds the production and preservation of affordable housing through loans (gap financing) to third party developers, as well as through the acquisition by the SDHC of existing housing with SDHC funding. SDHC’s loans only fund a portion of the financing needed. Developers must seek most of the financing from other funding sources such as conventional loans, 4% or 9% tax credits, redevelopment agency funding, or foundation grants. Properties with affordability restrictions must record an agreement and deed of trust against the property to ensure that rents are restricted for the agreed upon period of time (typically 55 years). SDHC’s compliance monitoring group monitors all affordable units to ensure the units are occupied by income qualified tenants and that rents to not exceed the maximum allowable rents. (Kern, Ann. Telephone interview. 28 Mar. 2012)
How Has the Closing of the San Diego RDA Affected Your Organization’s Affordable Housing Projects?

The projects with enforceable agreements (Owner Participation Agreements, Disposition and Development Agreements) are included in the Enforceable Obligation Schedule submitted to the County and Department of Finance, and will be completed. We won’t be able to do any new affordable housing activities because there will no longer be tax increment financing. (Kameyama, Eri. Telephone interview. 26 Mar. 2012)

To my knowledge at this point, due to AB 26 SEDC will be closing soon, so we will not be able to accomplish our affordable housing projects. The City of San Diego Redevelopment Successor Agency under AB26 will implement any affordable housing obligations for which we had an existing contract. But under this law there is no more new income from 20% housing funds from the tax increment that will still be collected by the County, unless these funds were pledged through bond issuances or enforceable agreements. Those future funds formerly called the 20% housing funds will be distributed to the taxing entities (county, water district, community college district, etc.) instead of set aside for affordable housing purposes. The COMM22 project is listed on the Enforceable Obligation Payment Schedule approved by the Successor Agency on February 28, 2012, and this affordable housing project is moving forward. Other potential projects had not progressed to the point of a signed agreement before the State actions, so these will not be able to be completed. (Brooks, Sherry. Telephone interview. 7 Mar. 2012)

Though SDHC operates independently from the Redevelopment Agency of the City of San Diego, the SDHC and the RDA have partnered on multiple projects over the last few years. Without RDA funding, many of the projects that were recently funded would not have been feasible due to the size of the local subsidy required to bridge the “gap” between private and public funding sources.

The biggest impact of the dissolution of the RDA is that there are now fewer dollars available to provide the gap financing to make affordable housing projects feasible. The SDHC will continue to make investments to create affordable housing within the city boundaries. In addition, we expect the location of affordable housing to change slightly. (Kern, Ann. Telephone interview. 28 Mar. 2012)

Could Your Organization Take Over the Affordable Housing Duties Previously Administered By the San Diego Redevelopment Agency?

City of San Diego is the Housing Successor Agency. CCDC is a separate non-profit corporation, which had an operating agreement with the former Redevelopment Agency to implement redevelopment, including affordable housing activities in downtown. At this time, we are still administering the enforceable obligations including affordable housing projects in downtown for the
City. But it is not clear how it will be structured in the future. We need to wait for the oversight board to convene its sessions. (Kameyama, Eri. Telephone interview. 26 Mar. 2012)

Yes, if directed and approved, SEDC could administer the housing duties on behalf of the San Diego Redevelopment Housing Successor, or for instance on behalf of the City similar to how we have been administering redevelopment, economic development and affordable housing on behalf of the Redevelopment Agency since 1981. But as mentioned above, only approved agreements can be implemented under AB26 using the 20% housing funds, and the future 20% housing funds will no longer be available for housing, so funding sources would have to be identified for any new projects. (Brooks, Sherry. Telephone interview. 7 Mar. 2012)

They have two different goals. Initial redevelopment law was enacted to allow cities to designate redevelopment areas to alleviate blight within those areas. The idea was that a redevelopment agency’s investment to cure blight would thus attract further investment into those areas. The respective RDA would then collect the incremental tax revenue from further investment and development. The RDA’s focus was to provide affordable housing and to also expand economic growth to “provide an environment for the social, economic, and psychological growth and well-being of all citizens.” Thus, the RDA’s goals were two-fold: (1) providing affordable housing, and (2) spurring economic growth within specific areas of investment. SDHC’s mission is to provide affordable housing throughout the City of San Diego. (Kern, Ann. Telephone interview. 28 Mar. 2012)

**What Types of Funding is Your Organization Looking into for its Current Affordable Housing Projects to Replace Redevelopment Funding?**

CCDC housing projects are adequately funded for the time being. (Kameyama, Eri. Telephone interview. 26 Mar. 2012)

SEDC is exploring possibilities with other funders, particularly the SD Housing Commission, and CDBG possibilities. (Brooks, Sherry. Telephone interview. 7 Mar. 2012)

The projects are sufficiently funded for the time being. (Kern, Ann. Telephone interview. 28 Mar. 2012)

**What Type of Funding is Your Organization Looking into to Permanently Replace Redevelopment Funding?**

At this time SB1220, currently circulated in the legislature to assess $75 fee on real estate transactions to fund affordable housing projects, is one alternative. There is also AB1585, which is currently circulating in the legislature. It is important to preserve remaining balance of low and moderate income housing
funds. These funds can be used by CCDC for future affordable housing projects. (Kameyama, Eri. Telephone interview. 26 Mar. 2012)

We are keeping in touch with other cities to see what other ideas and strategies are out there. SEDC is considering including HUD funding opportunities and a strategy from northern California for public private partnerships with Community Development Financial Institutions, philanthropy and other public sectors. (Brooks, Sherry. Telephone interview. 7 Mar. 2012)

Currently there are no plans on raising local fees such as inclusionary fees. There are also no plans to increase funds from all the programs they use such as HOME section 8, tax except bonds. SDHC has hired a grant writer to help find more grants for the agency (Kern, Ann. Telephone interview. 28 Mar. 2012)

Ms. Kern stressed that there is nothing that can replace redevelopment funds. The bill SB1220, which would assess $75 fee on real estate transactions to fund affordable housing projects, could help the financing issue that has arisen, but it would not solve the problem. Ms. Kern also said they hope to see more infrastructure loans. Ms. Kern explained she expects to see more tax credits being utilized and less public subsidy.

**NON-PROFITS**

There are several non-profits in San Diego that have partnered with city organizations in the past to develop affordable housing for the community. These organizations rely on funding from donors, public subsidies and other forms of finance to construct their projects. It is important to note that redevelopment agencies generally do not work with for profit organizations. This is in part because of the layers of financing required to accomplish affordable housing projects.

Bridge Housing is an example of an organization that partners with city organizations to develop affordable housing. Bridge Housing is a 501(c)(3) nonprofit corporation that builds affordable housing, revitalizes communities and has built a pipeline that exceeds 16,000 homes. I interviewed Lyn Hikida, Director of Communications and Media at Bridge Housing.
Wakeland Housing and Development Corporation (WHDC) is a non-profit organization that has partnered with for-profit and non-profit organizations as well as public agencies to develop, acquire and rehabilitate over 5,700 units of affordable housing in communities throughout San Diego and the state of California. I interviewed Ken Sauder, President of Wakeland Housing and Development.

I asked each of the non-profit affordable housing providers the following questions regarding the end of redevelopment and the future of redevelopment affordable housing. Their responses are presented below.

**How are Your Affordable Housing Projects Funded?**

Bridge Housing is a nonprofit organization that generates revenue (primarily in the form of developer fees, property and asset management fees, and rent) to advance its mission as a developer/owner/manager of affordable housing. Bridge also raises a small percentage of its operating budget from foundation and corporate grants. The actual affordable housing projects are funded from a variety of sources, including Low-Income Housing Tax Credits, Federal/State/Local subsidies, tax exempt bonds, and private capital. (Hikida, Lyn. Telephone interview. 7 Mar. 2012)

Wakeland Revenue Sources breakdown as follows: Developer fee – Approximately 45%, Asset Management Fees and Project Cash flow- 50%, Foundations/Other: 5% - 10%. Wakeland works with a variety of municipalities, developers and redevelopment agencies throughout California. We utilize federal, state and local funding resources including tax exempt bonds and tax credits and leverage other funds from the private and public sectors. (Sauder, Ken. Telephone interview. 27 Mar. 2012)

**How Will the Closing of the San Diego Redevelopment Agency Affect Your Organization’s Affordable Housing Projects?**

The closing of the San Diego Redevelopment Agency may make it more cumbersome to get some of our projects across the finish line and into construction, given the transition from redevelopment agency to successor agency. Financial commitments from redevelopment for our San Diego projects are in place, however, so the projects themselves are not at risk. Redevelopment was a significant tool for the creation of affordable housing; for future projects, we are looking at other potential sources and funding mechanisms that can help us
continue to develop homes that working families and seniors can afford. (Hikida, Lyn. Telephone interview. 7 Mar. 2012)

The dissolution of Redevelopment will put at least two Wakeland affordable housing developments, one in the City of San Diego and one in the City of Poway, on hold. The project in San Diego is a 205 unit high-rise that is very dependent on the 20% set-aside money. Interestingly when CCDC was dissolved there was enough money passed through to the Successor Agency to fund this project. However, it now appears that these funds will also be lost to affordable housing and simply passed through to the local taxing agencies to be spent on other items.

At this point we are re-examining our business model and exploring other ways to develop affordable housing with much less subsidy – or in some cases no subsidy. We are still in the early stages of exploring different possibilities.

Another thought is that the closing of the redevelopment agency in San Diego will simply result in fewer affordable units being built. Also the units we do build will probably not have the deep affordability because of limited gap financing.

Another thing we are doing differently is responding to RFPs. In the past we usually did not respond to RFPs – we simply put together our own deals and took them in to CCDC or other agencies for the gap financing. (Sauder, Ken. Telephone interview. 27 Mar. 2012)

**What Types of Funding, if any, is Your Organization Looking into for Current Affordable Housing Projects to Replace Redevelopment Funding?**

Our projects that are currently under way in San Diego have financial commitments in place (including those committed from redevelopment funds), so we are not in need of seeking replacement funding. (Hikida, Lyn. Telephone interview. 7 Mar. 2012)

We aren’t looking at additional funding. (Sauder, Ken. Telephone interview. 27 Mar. 2012)

**What Type of Funding is Your Organization Looking into to Permanently Replace Redevelopment Funding?**

We are looking at a range of sources. For example, S.B. 1220 (The HOMES Act) is proposed legislation, being discussed in Sacramento right now, that would create a permanent source of funding for affordable housing. Other possibilities include mixed-income development (an existing model of housing that essentially uses market-rate components to help pay for affordable units), and tapping into other sources of lower cost capital, such as social investment funds. (Hikida, Lyn. Telephone interview. 7 Mar. 2012)
The industry is trying to create a “permanent source of housing.” One of the ways is through legislation. However, it’s going to be a long haul and will require a whole new way of looking at things. Affordable housing developers that will survive will have a diverse portfolio and will look for ways to adjust to the market place and find new gap financing. A lot more partnering will be going on as well.

Our organization is reevaluating how it does affordable housing. We will construct new models that require fewer subsidies. These new projects will require less construction and less architecture and design costs. We will develop ways to do more housing with tax credits and tax exempt bonds. By raising rents we can secure more loans. It is important to understand that we will never get subsidy down to zero. Therefore we will work with jurisdictions that have some funding available. Another cost saving method we plan to implement is doing fewer projects in cities that require underground parking and type one construction (meaning the use of a lot of steel). There will be a movement toward suburban projects because urban projects require too much of a subsidy. Suburban projects will allow us to cut down on construction costs. This could mean less urban affordable housing in the long term. (Sauder, Ken. Telephone interview. 27 Mar. 2012)

Ken finished by adding:

The decision (for whatever reason) to dissolve redevelopment will have a tremendous impact on affordable housing for the next 4 to 5 years. Current projects will finish up but few new ones will be started and therein lies the problem with the supply of affordable housing. We will simply be forced to think of new ways to develop affordable housing. (Sauder, Ken. Telephone interview. 27 Mar. 2012)

ASSOCIATIONS

In order to further understand the future of redevelopment affordable housing I spoke with Tom Hart of the California Redevelopment Association (CRA). The association the California Redevelopment Association was established as a not-for-profit organization in 1979. CRA represents redevelopment agencies and firms throughout the state of California in responding to legislative proposals and administrative regulations, providing member services, conducting training and professional development events, and providing public information regarding redevelopment law and activities.
I asked Tom what types of funding he believes can permanently replace redevelopment increment financing? He explained that right now possibly Infrastructure Finance Districts. I then asked Tom if he thinks the end of redevelopment will permanently affect affordable housing? He responded, “Absolutely. It's was the only permanent source of affordable housing funding available to local governments. Next to the federal government, redevelopment agencies were the largest funder of affordable housing in California” (Hart, Tom. Telephone interview. 2 May 2012).

**STATE AGENCIES**

I next spoke with Glen Campora. Glen is with California’s Department of Housing and Community Development. The Department of Housing and Community Development’s mission is to provide leadership, policies and programs to preserve and expand safe and affordable housing opportunities and promote strong communities for all Californians. I asked Glen what type of funding is the state of California looking into to permanently replace redevelopment increment financing. For the most part Glen said it was too premature to really pinpoint what sources of funding would replace tax increment finance for affordable housing. He mentioned that currently organizations will have to look into more tax credits, block grants, housing trust funds and project sponsored funds. He also explained that local governments have the right to use local property tax funds to create infrastructure to support affordable housing programs. But this may be an issue because of the recession (Campora, Glen. Telephone interview. 3 May 2012).

I followed up with the California Department of Finance and spoke with Zack Stacey. I asked Zack what types of funding he thinks can permanently replace redevelopment increment financing. He explained that 48% of the tax increment will now go to schools.
The rest of the money will go to cities and counties to use as general purpose money. They could potentially use the 52% for affordable housing projects and redevelopment. Zack further explained that another option is AB 1585. This will preserve the current redevelopment funds and ensure they go to low and moderate income housing development (Stacey, Zack. Telephone interview. 3 May 2012).

Next I spoke with Lisa Vergolini of the California State Treasurer’s Office. Lisa is in charge of dealing with tax increment financing allocations. She has access to records regarding who is applying for credits and how many credits they have received. I asked Lisa if there will be more tax credits available to replace redevelopment funds? She explained the credits are based on a set amount and done on a per person (per capita) basis. The amount of credits is decided on the federal level.

According to Lisa the tax credits are administered on what is called an eligibility basis. In many cases this means they cover construction costs. There is a limit on how much you can ask for based on your costs. Sometimes applicants can qualify for more, but there is a limit per project. I asked Lisa if the limit could be changed. She explained there was no discussion to change the cap on the number of tax credits available per affordable housing development project (Vergolini, Lisa. Telephone interview. 3 May 2012).

However, an important thing to point out is that many organizations don’t ask for the limit. They only ask for a portion of what is available to them. This is because they have in the past been able to rely on other sources such as the tax increment from redevelopment. Not all organizations have the option of applying for more tax credits. While many have not exhausted their limit, some aren’t eligible for more funds and will have to look elsewhere as redevelopment dollars fade away.
I next spoke with Frank Riley, the San Diego Field Office Director of the US Department of Housing and Urban Development (HUD). HUD is a department in the Executive branch of the United States federal government and its mission is to develop strong, sustainable, inclusive communities and quality affordable homes for all.

I began by asking Mr. Riley how redevelopments demise has affected his organization. He explained:

It doesn’t directly affect it, but it does affect the grantees and partners we work with. When you take out tax increment it makes it harder to do affordable housing. Some of the city employees are paid by HUD funds and also through the tax increment. Now that the tax increment is gone a portion of their pay is gone. The cities are struggling to figure out how to pay these people. There are staffing issues as a result of the end of redevelopment. Programs and staffing are the main reason why we are trying to find new sources of funding. The non-profits that do affordable housing and homeless work used to go to redevelopment for partial assistance, now they are asking HUD for more help. HUD cannot fill in the gap that redevelopment has created. (Riley, Frank. Telephone interview. 4 May 2012)

Mr. Riley provided an example of the severity of the situation. He explained there is already a serious lack of affordable housing in California, including the San Diego area. The lack of housing is like a hurricane and redevelopment is like FEMA, he explained. “We need redevelopment to help us get through this storm” he explained.

I asked Mr. Riley if HOME, HUD Grants, Tax credits or tax except bonds can help replace the tax increment. And if not, what other subsidies may help? Mr. Riley explained:

HUD programs cannot replace tax increment. HUD’s HOME funds have been cut about 40% and were used as a layer of funds in many affordable development that has tax increment funds, so that is two strikes. HUD’s multifamily programs are mostly credit enhancement (mortgage insurance) which help in this tight market and are used with tax credit properties and many acquisition /rehab development by non-profits and for-profit developers but there needs to be source of funds to replace the tax increment. (Riley, Frank. Telephone interview. 4 May 2012)
I then asked what types of funding he thinks can permanently replace redevelopment increment financing. He explained there are two important bills that can help replace the funding. The first is the Housing Revenue Bill, SB 1220, which was passed by two Senate committees. The legislation would generate $500 million annually for affordable homes in California. SB 1220 or the HOMES Act, cleared the Senate Transportation and Housing Committee by a 6-2 vote on April 24, and the Senate Governance and Finance Committee by a 5-2 vote on April 25. Senator Christine Kehoe serves on both committees and voted 'aye' each time, while Senator Mark Wyland serves only on the first committee and he abstained. The measure now heads to the Senate Appropriations Committee, which must pass the bill before May 25 if it is to receive a full Senate vote. Ultimately, to pass the Senate will require a 2/3 vote and that must happen before June 1.

Mr. Riley also mentioned another redevelopment bill that was important to the industry. He explained that Redevelopment Bill, AB 1585, which is currently waiting in Senate, would create legislation that would protect the estimated $1.4 billion of affordable housing funds from former redevelopment agencies awaits action in the Senate. The bill, AB 1585, passed the Assembly in March and has now been referred to two Senate Committees: Governance and Finance, and Transportation and Housing. No hearing dates have been scheduled.

Next I asked if Mr. Riley thought the end of redevelopment would permanently affect affordable housing. He replied that in California it certainly would, unless some new source to replace some or all of the funds in found, which is what the San Diego Housing Federation, League of California Cities and many other advocates are seeking.
CHAPTER 5

CONCLUSION

In this paper I have described what California RDAs core responsibilities were and what the affordable housing arm of the organization’s objectives included. I specifically looked into what San Diego’s Redevelopment Agency did in order to provide affordable housing in blighted areas. I have researched California affordable housing finance methods. I also looked into the impact the end of redevelopment has had and will have on San Diego.

My field research helped me assess whether the RDAs will be missed and what agencies have the capabilities to take their administrative capacities over. Lastly, my research has helped me determine what finance options California affordable housing entities are looking into to replace tax increment financing dollars. As a result of my research, I have gained a better understanding of the future of redevelopment affordable housing.

My discussions with local agencies in charge of administering redevelopment’s affordable housing programs illustrated how much these agencies need the tax increment financing dollars. They cannot operate without this money under the current circumstances. However, they have begun to consider other plans for the future including supporting new legislation and entering into public private partnerships.

The San Diego Housing Commission, also a local agency, expressed that no other funding sources are moving in to replace tax increment dollars. Ann Kern described several funding sources that are not capable of closing the gap. Her interview along with Frank
Riley’s of HUD countered the people from the state who agree that there is funding available to replace the tax increment.

State agencies were unsure of the future of redevelopment’s affordable housing programs. One representative of the state told me he really couldn’t talk about the issues because things were still too up in the air. The basic sentiment from state employees was that affordable housing organizations will have to look for other current sources of funding to replace tax increment dollars. On the state level there is a need to justify what the Governor has done. There is a discrepancy between what the state says and what local entities are saying. The state says that there are other sources of funding. In one interview the gentleman pointed to the tax increment as a future source of funding through the local government’s general fund. However, most localities already have plans to use the money from the tax increment for specific areas that have experienced budget cuts. Because the state has a housing crisis, I feel further explanation of how affordable housing will be financed is necessary.

According to my discussion with the federal agency, HUD, the tax increment cannot be replaced by grants and other forms of funding that the federal government provides. Because the federal government is the largest source of funding for affordable housing, their position that they cannot replace the gap financing is an important one. It means future affordable housing activities will have to find new methods of finance.

It is interesting that the state offered up local and federal forms of financing to replace the tax increment. It shows there is a concerted effort to direct the focus on to other public agencies to fix the affordable housing crisis in the state. This could be because the state faces a budget crisis and has too many other priorities it has to consider, like schools. However,
local and federal government budgets are also very tight and there are few extra funds to be found.

The loss of numerous jobs is an issue that came up in the interviews. The tax increment paid for redevelopment jobs in local agencies and in partnering organizations. It paid for projects that produced jobs for the local community. Redevelopment money wasn’t just dedicated to redevelopment agencies. As illustrated in this paper, it was spread around to many organizations. Therefore the end of redevelopment not only means less affordable housing funding, it means fewer jobs.

I have found through my research that those who partner with the San Diego Redevelopment Agency are capable of administering affordable housing on their own. They have the tools and the personnel. They also have the experience and have executed several affordable housing developments in the past. The core issue in every interview I conducted was the funding. The 20 percent tax increment financing that the San Diego Redevelopment Agency brought to the table is crucial to affordable housing production in the city.

There is some dispute as to whether the redevelopment agencies in California will be missed. Some say they were corrupt and did not spend money in the right way. Others have determined that redevelopment doesn’t necessarily make a neighborhood better. My research has determined that the affordable housing financing and the partnerships it created will be greatly missed in the housing community. Each one of my interviews indicated that this funding will not be easily replaced.

It is my assessment that the affordable housing administrative portion of redevelopment will not be missed or needed in years to come. Only the 20 percent tax increment funds that the agency delivered to its partners will undoubtedly be missed. There
are two organizations that could take over the responsibilities of the affordable housing portion of RDAs in San Diego given the proper funding. They include the Centre City Development Corporation and the Southeast Development Corporation. Therefore simply providing them with some other stream of revenue to partner with affordable housing developers could solve redevelopments lack of administration. It is also reasonable to consider that many affordable housing developers could handle their own administration with proper funding. Redevelopment however, still administers loans to home buyers and other types of funding that would need administration.

In my research I found a few possible future sources of funding that affordable housing organizations are considering for their projects. They include more grants, infrastructure loans and applying for more tax credits. Most other program funds, such as HOME, are depleted do to the present state of the economy.

Tax credits, according to some of the people I interviewed, will be key to replacing tax increment financing. However, some organizations have exhausted the number of tax credits they can collect. For these organizations and in order to continue redevelopment financing there are two key bills in the legislature: SB 1220 and AB 1585. All state, federal and local organizations I interviewed highlighted these bills as important legislation for the future of redevelopment affordable housing. These bills could help fund affordable housing projects and keep organizations like CCDC and SEDC running.

Public-private partnerships will also come into play to help keep affordable housing finance alive. Private capital will be a popular alternative for filling the financing gap on affordable housing developments.
Developers will have to begin changing the way they build if more resources are not made available. This may mean less urban affordable housing and more construction concentrated in suburban areas. Developers will have to respond to less financing with lower overall construction costs. While building materials and integrity will stay consistent, things like building design will have to be simplified to help save on costs.

I can conclude by saying the end of redevelopment agencies will negatively affect affordable housing in San Diego. The funding the organization provided is counted on by several organizations and cannot be easily replaced. As emphasized by Ann Kern of the SDHC, “No current sources of funding can replace redevelopment.” Too many developers, home buyers and affordable housing organizations relied on the financing provided by RDAs.

It will be interesting to see how the state handles the future needs of the affordable housing sector, now that it has taken away this valuable funding source for housing projects that are of great need to the public. Will they pass the necessary legislation to create a sustainable source of financing for affordable housing projects? If not, as you have read in this thesis, organizations are preparing to shift how they do business. They will establish new partnerships and create new business models to fit their financing capabilities going forward.
REFERENCES


