REDEVELOPMENT FUNDS ARE VITAL FOR AFFORDABLE HOUSING

State Redevelopment law requires that 20% of Redevelopment tax increment be set aside for the development, improvement, and preservation of affordable housing opportunities. In the past 15 years, this State law requirement has resulted in the development of over 90,000 affordable housing units for California's lower and moderate income residents. The Governor's Proposed FY 2011-12 budget would eliminate redevelopment agencies, thereby eliminating this critical source of financing for affordable housing. Why should you be concerned?

- **REDEVELOPMENT FUNDING IS THE ONLY GAME IN TOWN FOR AFFORDABLE HOUSING PRODUCTION. Without ongoing revenues from the 20% Fund, San José and other California cities will not have the resources needed to finance the development or preservation of affordable housing.**
  - **The State has committed nearly all of its Proposition 1C Bond Monies.**
  - **The State budget proposes additional cuts to programs administered by HCD, leaving few funds for housing development.**
  - **Despite considerable effort, there is no permanent source of funds for affordable housing at the State or the federal level.**
  - **Federal resources have decreased in recent years and are in danger of further reductions or elimination.** By way of example, Congressional Republicans have suggested the elimination of the Community Development Block Grant Program.
  - **The recent *Palmer* court decision, which exempted rental housing from inclusionary housing requirements, has had a significant reduction in affordable housing production.** Tens of thousands of affordable units have been developed throughout the State through inclusionary housing efforts.

- **LOW AND MODERATE INCOME HOUSING FUNDS ADDRESS STATE PRIORITIES.**
  - **Recent Climate Change legislation—SB375 and AB32—envisions significant affordable housing development in the State.** If no funds are available, it will be difficult to implement the goals of these policy priorities.
  - **Regional Housing Needs—the State assigns goals for housing production by jurisdiction, and requires that each jurisdiction prepare a housing element to outline how these housing needs will be met.** If no funds are available, local jurisdictions will not be able to implement housing element activities.
  - **Allocation of Limited Resources—20% funds leverage other private and public funds.** In San José, 20% funds are leveraged by at least 3 to 1. Programs administered by the State Treasurer's Office, HCD, and CalHFA all rely on redevelopment funding to leverage their limited funds.

- **THERE ARE SERIOUS FEASIBILITY CONCERNS WITH THE PROPOSAL TO ELIMINATE REDEVELOPMENT AGENCIES, AS IT RELATES TO AFFORDABLE HOUSING.**
  - **Loan Administration—20% funds have long-term affordability requirements that require monitoring.** San Jose has a portfolio of nearly $700 million, with hundreds of loans that require ongoing management. Many projects have multiple funding sources.
    - Who will manage this portfolio? The Local Housing Authority? The Successor Entity?
    - How will administrative costs of monitoring the portfolio be paid for?
    - Will the monitoring entity have the authority to take needed actions, such as responding to Year 15 Tax Credit conversions, subordinations, delinquencies, etc.?
    - Will the successor entity have the authority to sell assets? Refinance its portfolio?

- **State and Federal Program Implementation**—Many State and federal sources do not cover the cost of program administration. Examples are State BEGIN, CalHOME, and federal Housing Prevention and Rapid Rehousing funds. Cities use 20% funds to cover the administrative costs of these programs.
    - Without administrative funding to manage these programs, will cities have to return needed funds that could have assisted lower-income residents?
- **Administration of Debt**—Not all debt is fixed-rate debt. In fact, variable-rate debt is common. In San José, we have a two-year commitment from Wells Fargo Bank that will need to be refinanced.
    - What will happen if Wells Fargo decides not to renew?
    - What will happen if Wells Fargo increases the borrowing costs? Will the City have to pick up these costs?
- **Statutory Requirements**—What will become of statutory requirements now included in Redevelopment Law?
    - Will existing affordability restrictions remain on property that has not yet been developed? If there is no funding to build a project, can it be sold for the highest value?
    - Do Redevelopment Project Area Inclusionary requirements also disappear?
    - Are Replacement Housing requirements eliminated?
    - What becomes of SERAF? If the Agency borrowed monies from the City or the Housing Fund to cover the SERAF cost, will the requirements to repay these funds still remain? It is assumed that, because the Low and Mod fund will no longer exist that the penalty to redevelopment for not repaying a loan from the housing fund will not be implemented.

- **SAN JOSE HAS BEEN A LEADER IN THE EXPENDITURE OF LOW AND MODERATE INCOME FUNDS.**
    - Since 1988, San José has used almost $835 million in 20% funds to leverage $3.2 billion in private and public capital.
    - More than 21,700 affordable rental and homeownership units have been financed or created through inclusionary housing requirements.
    - More than 1,070 new homebuyers have attained homeownership.
    - More than 6,000 homes and apartments have benefitted from Rehabilitation loans and grants.
    - This construction activity has supported approximately 19,500 construction & suppliers jobs and 4,800 permanent jobs ongoing.

- **THERE IS A SIGNIFICANT IMPACT TO SAN JOSE FROM THIS PROPOSAL.**
    - **San Jose will not meet its RHNA goals for 2007-2014 and beyond.** As required by the State, the City has planned for the development of 34,721 new housing units, of which 19,271 are affordable and require subsidy. The 20% fund is the primary source of funding to address this State goal.
    - **San Jose will not address the housing needs of its residents and workers.** For the past seven years, affordable housing has been the number one problem identified by Silicon Valley driving industry businesses, impacting both attraction and retention. Housing costs, though lower due to the recession, are still the highest in the nation. Homelessness will rise if housing resources are reduced—studies have shown that it is considerably cheaper to house a homeless person that to keep them on the streets.