

# NEWS ALERT

## Affordable Housing Technical Review



Issue: # 22

January 2012 (issued January 6, 2012)

### Governor Brown Releases Draft Budget Early



Governor Brown unexpectedly released his [2012-2013 Budget Proposal](#) yesterday afternoon.

The Governor's \$92.6 billion budget estimates a deficit of \$9.2 billion which he proposed to address with cuts and the assumed passage in November of his [\\$7 billion tax increase plan](#). If that measure fails to muster voter approval, it will result in additional cuts of \$4.8

billion to public education. The Governor's proposed budget also slashes \$1.4 billion from welfare and child-care services and almost \$1 billion from Medi-Cal.

Below are highlights from this budget proposal that directly affect housing and community development.

The proposal transfers the [California Housing Finance Agency \(CalHFA\)](#) into the Department of Housing and Community Development.

*"The Department of Housing and Community Development and the California Housing Finance Agency (CalHFA) both assist in the development and financing of affordable housing for Californians."*

### About Us

[LeSar Development Consultants](#) provides a full range of consulting services primarily to local government agencies involved in redevelopment, community development, affordable housing, and homelessness.

### Website

[lesardevelopment.com](http://lesardevelopment.com)



### Upcoming Events

*While CalHFA is unique in making low-interest loans through the sale of tax-exempt bonds, both departments administer general obligation bond programs. By moving the CalHFA functions into the Department of Housing and Community Development, the state will continue to serve the housing needs of the state while achieving administrative efficiencies."*

The Governor did not include any creative mechanisms or proposals to fill-in the gap for the forthcoming elimination of the redevelopment agencies. Throughout the budget proposal are numerous references to redevelopment agencies being eliminated and a resulting increase of \$1.1 billion in offsetting local property taxes for 2012-13. Between the loss of approximately \$1 billion in redevelopment funding designated for affordable housing, and the depletion of hundreds of millions of dollars of affordable housing development funding from Proposition 1C, we have lost approximately \$1.5 billion for affordable housing construction and preservation annually in California.

*"In accordance with the Court's order, RDAs will be dissolved on February 1, 2012. Revenues that would have been directed to the RDAs will be distributed to make "pass through" payments to local agencies that they would have received under prior law, and to successor agencies for retirement of the RDAs' debts and for limited administrative costs. The remaining revenues will be distributed as property taxes to cities, counties, school and community college districts, and special districts under existing law. The Budget reflects an estimate that approximately \$1.05 billion in additional property tax revenue will be received by K-14 schools in 2011-12, which will offset the state's Proposition 98 General Fund obligation. Additional property tax revenues are estimated at \$340 million for counties, \$220 million for cities, and \$170 million for special districts. These amounts are expected to grow as property values increase and debts are retired. Additional revenues will also be distributed in the next several years as RDA assets are monetized."*

At first look, there appears to be insignificant changes to the amount of General Fund dollars for the California Department of Housing and Community Development (HCD), but in reviewing the [nitty-gritty details of this department's proposed budget](#), we noted severe cuts to the [California Self-Help Housing Program \(CSHHP\)](#), which provides grants to sponsor organizations to help low and moderate income families build their homes with their own labor, and grave cuts to the [Emergency Housing and Assistance Program Operating Facility Grant Program \(EHAP\)](#) which provides funding for emergency shelters, transitional housing projects, and supportive services for homeless

### Connections Housing Construction Kickoff

January 26, 2012 10:00am  
Connections Housing 1250  
6th Avenue  
San Diego, CA 92101  
*Connections Housing will be an integrated service and residential community whose primary goal is to help people experiencing homelessness get into permanent housing.*

### 11th Annual New Partners for Smart Growth Conference

February 2-4, 2012  
Sheraton Hotel  
San Diego, CA

### UCLA Land Use and Planning Conference

February 3, 2011  
Millennium Biltmore Hotel  
Los Angeles, CA

### 2012 National Conference on Ending Family and Youth

Homelessness  
February 9-10, 2012  
Millennium Biltmore Hotel  
Los Angeles, CA

individuals and families.

## Update on Redevelopment

As we [reported last week](#), redevelopment agencies have been slated for elimination and dissolution effective February 1st. But - **wait!** The California Redevelopment Association and the Non-Profit Housing Association are working with Senate President Pro Tempore Steinberg on [Senate Bill 654](#) which includes language to clarify the process for the unwinding of redevelopment agencies and the transfer of their assets to successor agencies. This legislation is intended to preserve for affordable housing the roughly \$2 billion in outstanding balances in the L&M funds maintained by redevelopment agencies throughout the state. The Senate Transportation and Housing Committee will hold a hearing this Tuesday, January 10th to review this draft legislation. Other redevelopment advocates are seeking to pass legislation to delay the February 1st dissolution date by one month.

We will continue to provide you with timely updates and analysis on our industry's news.

Sincerely,



Jennifer LeSar  
President, LeSar Development Consultants