

1st of the Month

Affordable Housing Technical Review



Issue: # 10

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To our LDC clients and colleagues:

Two strong themes pervade our newsletter this month: threats to California's ability to meet its affordable housing needs and continuing challenges in reaching the goal to end homelessness.

First, the ability to continue to create new affordable housing in California is severely threatened by a number of colliding factors, all rooted in the budget deficits at the state and federal levels.

At the state level, Governor Brown's budget proposal to terminate California's redevelopment agencies as of June 30, 2011 would mean a \$1 billion loss per year in capital available for affordable housing development in our state. Coupled with the near depletion of the California Department of Housing and Community Development's \$2.85 billion in bond funds created in 2006 by Proposition 1C (the Housing and Emergency Shelter Trust Fund Act of 2006), no likely voter appetite for a new housing bond program, and the challenge of obtaining legislative support this year for a statewide permanent source in light of the \$25.4 billion deficit, *California's communities are facing a potential drop in affordable housing development funding in excess of \$1.5 billion per year!*

At the federal level, President Obama's January 25 State of the Union speech referenced freezing federal spending for five years, and he only mentioned housing in the part of his speech addressing reorganization of government, in which he noted that we have "at least five different agencies that deal with housing policy." With the Republicans in Washington, D.C. pushing for a return of non-defense discretionary spending to 2008 levels, this could mean a reduction in the HUD budget of \$6.4 billion or over 15% of the FY2011 budget. The HUD FY2008 budget was \$35.2 billion and the FY2011 budget (already 5% less than the HUD FY2010 budget) is \$41.6 billion. Unfortunately it looks like fiscal pain and potential chaos ahead if the Republicans prevail and there is reorganization of the housing agencies.

In this newsletter we have included information about both the impact of the Governor's budget on housing and homeless spending in California, and on affordable housing's positive economic impact in job and revenue creation, and on asset building for low-income residents.

Second, with the Point-in-Time Count to document numbers of homeless people now underway across the United States (required by HUD to be conducted every two years in January) it is no coincidence that there is a great deal of new information out about homelessness. While state and federal funding outlooks for upcoming FY2012 appear bleak, the need for assistance to those at the lowest income levels is rising. A National Alliance to End Homelessness report released on January 12 documents changes from 2008 to 2009 and all are negative, including a 3% rise in homelessness nationally, 5.4 million more people now unemployed and

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.

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2.8 million new foreclosures. Some good news is available, as you will read in the article about HUD's award of funding to continue local homeless assistance programs as well as in the article about the California Assembly Speaker's creation of a Select Committee on Homelessness and his appointment as Chair a member of the Assembly Leadership who has been a housing activist for two decades.

Next month we hope to bring you a summary of the HUD draft FY2012 budget that is expected out in mid-February and updates from the redevelopment hearings in Sacramento.

Best Wishes,



President, LeSar Development Consultants

Major Impacts to Affordable Housing in Governor's Proposed Budget

Key sections of Governor Jerry Brown's budget proposal will have broad-reaching effects on California affordable housing, economic development and redevelopment. Outlined below are several of these key proposed changes and links to further information.

Elimination of Redevelopment Agencies

As of July 1, 2011, eliminate redevelopment agencies and, after one-time payments are made to retire RDA debts and contractual obligations, shift existing redevelopment taxes to cities, counties, special districts and K-14 education. Two one-time shifts would take place in 2011-2012 - a \$1.7 billion offset to the state General Fund for Medi-Cal and trial court costs and the shifting of RDA low- and moderate-income housing balances to local housing authorities to be used for affordable housing development.

"It's at our peril that we eliminate all [redevelopment agencies], but the debate is an important one," Lt. Governor Gavin Newsom told the Sacramento Bee. There are some real abuses on redevelopment where they're not doing what they should be, and so it's a very legitimate debate. And that's why I honor (Brown's) willingness to put it up, but I also look forward to honoring his willingness to keep an open mind about the ultimate outcome."

See Tax Relief and Local Government section (pg. 167) of Full Budget Summary for more information. A link is provided below.

One-Time Diversion of Proposition 63 (Mental Health Services Act) Funds

Beginning in FY 2011-12, divert \$861 million in Proposition 63 funds to fund existing mental health services. The three programs that would be funded in FY 2011-12 using Prop. 63 funds are

- The Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program, a mandatory federal program under Medicaid designed to improve the health, including the mental health, of low-income youth under the age of 21;
- Mental health managed care, which provides psychiatric inpatient hospital services and outpatient treatment services through county mental health plans; and
- State-mandated mental health services for special education students.

Housing Bond Freeze

A decrease of \$99 million in housing bonds in FY 2011-12, which would

reflect a one-time pause in the issuance of state bonds for new loans and grants for housing projects. This freeze would not affect projects already underway.

See Department of Housing and Community Development section (pg. 87) of Full Budget Summary for more information. A link is provided below.

[Governor's Full Budget Summary, 2011-12](#)
[Housing California Talking Points for Redevelopment Fund Defense](#)

New Reports Show Affordable Housing's Positive Impact on Economic Development and Asset Building

Three new reports present research indicating that affordable housing can foster economic growth and even help build assets.

Two of these reports, [The Role of Affordable Housing in Creating Jobs and Stimulating the Local Economy](#) and its companion piece [A Review of the Literature](#), were released January 11 by the Center for Housing Policy. Among other impacts, these companion reports indicate that building or significantly rehabilitating affordable housing can:

- Create jobs;
- Attract both employers and employees;
- Increase consumer spending;
- Increase government revenues; and
- Lower the risk of foreclosure.

The third report, [Homeownership Today and Tomorrow: Building Assets While Preserving Affordability](#), was released by the National Housing Institute on December 21, 2010. The report includes four case studies of programs that help families build assets while preserving the affordability of their homes over time and presents research showing how inclusionary housing, limited equity coops and community land trusts can both build assets and preserve affordability. Homeownership Today and Tomorrow draws heavily from the Urban Institute report [Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-Term Affordability](#).

Assemblymember Toni Atkins Named Chair of the Select Committee on Homelessness

Assembly Speaker John A. Pérez announced January 26 that Assemblymember Toni Atkins, D-San Diego, will head the Select Committee on Homelessness.

"Reducing homelessness requires a delicate interplay of programs and services for those without permanent shelter and those at risk of becoming homeless," said Atkins, who is Vice Chair of the Assembly Housing and Community Development Committee. "This committee will work to eliminate silos and bring down barriers between agencies and branches of government. Ultimately, our committee will guide the state in more effectively and efficiently coordinating service delivery."



Speaker Pérez recognized Assemblymember Atkins's previous commitment to this serious state-wide epidemic. "We can't expect people to work and contribute to economic recovery if they don't first have a home," he said. "I'm thrilled to utilize Ms. Atkins local expertise to

streamline the state's approach."

- Press release

HUD Awards \$1.4 Billion to Nearly 7,000 Local Homelessness Programs

On January 19, the U.S. Department of Housing and Urban Development awarded \$1.41 billion in funding to keep nearly 7,000 local homeless assistance programs operating in the coming year. The grants are a significant part of the Obama Administration's Opening Doors strategy, a plan to end veterans and chronic homelessness by 2015 and to end homelessness among children, family and youth by 2020.

Last September, HUD announced that it would renew funding through HUD's Continuum of Care programs to existing local programs as quickly as possible to prevent any interruption in federal assistance. HUD will award funds to new projects later in the year. To view local summaries of HUD grants, [click here](#).

HUD's Continuum of Care grants provide permanent and transitional housing to homeless persons as well as services including job training, health care, mental health counseling, substance abuse treatment and child care. Continuum of Care grants are awarded competitively to local programs to meet the needs of their homeless clients. These grants fund a wide variety of programs from street outreach and assessment programs to transitional and permanent housing for homeless persons and families.

In addition to HUD's annual grant awards, HUD allocated \$1.5 billion through its new Homeless Prevention and Rapid Re-housing (HPRP) Program. The funds are intended to help prevent persons from falling into homelessness or to rapidly re-house them if they do. HUD has added a new Frequently Asked Questions about HPRP on its HUD [Homelessness Resource Exchange website](#).

- Press release

[Opening Doors: Federal Strategic Plan to Prevent and End Homelessness](#)

CTCAC Releases 2011 Proposed Program Schedule and Deadlines

On January 7, the California Tax Credit Allocation Committee released its 2011 Proposed Program Schedule and Deadlines.

Highlights include:

- 9% Applications due: March 23, July 6
- 4% Applications due: March 18, May 20, Aug. 19, Sept. 16, and Oct. 18.

For further details: [CTCAC Schedule 2011](#)

New NAEH Report: The State of Homelessness in America

On January 12, the National Alliance to End Homelessness released The State of Homelessness in America, a detailed report that includes national

and state-by-state homelessness counts as well as information about economic and demographic drivers of homelessness between 2008 and 2009.

Among the major findings:

- The nation's homeless population increased by approximately 20,000 people from 2008 to 2009 (3 percent increase).
- A majority - 31 of 50 states and the District of Columbia - had increases in their homeless counts.
- After population reductions from 2005 to 2008, the number of chronically homeless people in the country remained stagnant from 2008 to 2009, despite an 11 percent increase in the number of permanent supportive housing units.
- While most people experiencing homelessness are sheltered, nearly 4 in 10 were living on the street, in a car, or in another place not intended for human habitation.
- From 2008 to 2009, the number of unemployed people in America increased by 60 percent from 8.9 to 14.3 million. Every state and the District of Columbia had an increase in the number of unemployed people.
- Foreclosure affected nearly half a million more households in 2009 than in 2008, a 21 percent increase for a total of 2.8 million foreclosed units in 2009.
- California, Florida, and Nevada - states known to have been disproportionately impacted by the recent housing crisis - have both high rates of homelessness and high levels of unemployment, foreclosure, housing cost burden, lack of insurance, and doubling up.

"These findings project a disquieting picture of what depressed wages, stagnant unemployment, unrelenting housing cost burden, and the lagging pace of the economic recovery could bring about: increases in homelessness and heightened risk of homelessness for more and more Americans," the executive summary of the report states. "As the new Congress and the Administration consider steps to revitalize the American economy with jobs, extension of benefits, and access to health care, it would be prudent to take note of these increased risk factors and incorporate homeless interventions into their recovery strategy."

To review the major findings and download the full report, [click here](#)