

1st of the Month

Affordable Housing Technical Review



Issue: # 11

March 2011 (issued March 1, 2011)



Governor Jerry Brown appeared before members of the budget conference committee on Thursday (February 24th) to try to sell his budget plan.

*Photo by Hector Amezcua (The Sacramento Bee)

To our LDC clients and colleagues:

Will redevelopment survive? This is the key question of the next 10 days for all redevelopment and affordable housing practitioners in California. Most of us can think of nothing else and are spending enormous amounts of time on efforts to preserve this resource, vital for building healthy cities and developing affordable housing.

By the end of next week, and likely by Thursday, March 10th, we will know if redevelopment (and its more than \$1 billion that annually is available for affordable housing production) will survive the State of California budget negotiations. The Senate has already approved the Governor's budget that recommends terminating local redevelopment agencies, while the Assembly has kept open an option that redevelopment could be reformed, but saved.

Driving the budget process is the Governor's March 10th deadline to the legislature to call a June special election to put tax extensions on the ballot. We will issue a special edition newsletter as soon as the outcome of budget negotiations becomes clear.

Best Wishes,

A handwritten signature in blue ink that reads 'Jennifer LeSar'.

President, LeSar Development Consultants

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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In This Issue

[HCD Bond Pause - Latest Updates](#)

[CTCAC 2011 Regulation Changes & Tiebreaker Scoring](#)

[HUD's FY 2012 Budget Proposal Released](#)

[Proposed FY 2012 Federal Budget and Homelessness](#)

[New Report on Veteran Homelessness](#)



HCD Bond Pause - Latest Updates

On February 10, 2011, HCD issued a memorandum regarding the Governor's proposal budget and the "pause" on bond issuances. The

memorandum updates the status of General Obligation Bond-Funded Programs (Proposition 46 and 1C) and how the Department's programs will be affected through the current and upcoming fiscal year. Under the "pause" of bond issuances, HCD is required to hold its bond debts at current levels.

As a result, HCD has cancelled all open and unawarded Notices of Funding Availability (NOFAs) for Proposition 46 and 1C. In addition, HCD will not be offering further NOFAs until the pause is lifted. Affected NOFAs are:

- MHP - Multifamily Housing Program - General Component
- MHP-SH - Multifamily Housing Program - Supportive Housing Component
- MHP-HY - Multifamily Housing Program - Homeless Youth Component
- CalHome Development Project Loan
- Housing Related Parks
- Joe Serna, Jr. Farmworker Housing Grant Program - Multifamily
- EHAP-CD - Emergency Housing Assistance Program Capital Development
- LHFTP - Local Housing Trust Fund Program - New Local Housing Trusts
- GSAF - Golden State Acquisition Fund

The memorandum further clarifies that there will be no changes for projects that have already received an award. Previous awards that are awaiting disbursements are not affected, as the cash received by HCD from previous bond sales is sufficient to cover such bond commitments.

The suspension of NOFAs will affect many projects in the development pipeline, however, as many projects were preparing to submit applications in time for the previously announced deadlines. At worst, this would mean no new commitments from HCD through June 30, 2012. Affordable housing advocates are urging the Governor and legislators to lift the pause on these HCD NOFAs and Housing California has initiated a letter-writing campaign.

For more information:

[HCD Memorandum - Status of General Obligation Bond-Funded Programs](#)

[Housing California Letter-Writing Campaign to the Governor](#)

CTCAC 2011 Regulation Changes & Tiebreaker Scoring

In late November 2010, the California Tax Credit Allocation Committee (TCAC) released its proposed regulatory changes for the 2011 program year for the Low Income Housing Tax Credit Program. TCAC held public hearings on the proposed changes in December 2010, and took written public comments through December 24, 2010. TCAC's February 2, 2011 adopted regulations reflect seventeen (17) regulatory changes, including:

- Changes to set-asides, including the elimination of the small development set-aside, augmentation of the special needs set-aside to 4%, and limiting rural projects to no more than 20% of the at-risk set-aside awards;
- When regional credit winners return their entire award, those credits will be returned to their region of origin;
- Changes to the final tie-breaker within the scoring system;
- The conversion of HCD bridge loans using American Reinvestment and Recovery Act (ARRA) funding into permanent loans;

- Establishing that the general partner scoring shall be based upon projects operated by sponsor within the prior 10 years; and
- A revamping of the sustainable building scoring.

TCAC will consider an additional regulation change on March 4, 2011, which would permit specified federally-funded tax exempt bond projects to compete for State Low Income Housing Credits.

For more detailed information regarding these and other regulation changes, please see:

[California Tax Credit Allocation Committee Regulations Webpage](#)

HUD's FY 2012 Budget Proposal Released

On February 14, 2011, HUD Secretary Shaun Donovan released HUD's Fiscal Year 2012 Budget Proposal, titled *Creating Strong, Sustainable, Inclusive Communities and Quality Affordable Homes*. In addition to homelessness funding programs described in the following article, key features of HUD's proposed budget include:

- **Sustainable Housing and Communities:** In support of HUD's Sustainable Communities Partnership with the Department of Transportation and the Environmental Protection Agency, the proposed budget requests \$150 million in Sustainable Housing and Communities funding, with the majority of funds being requested for use by the Sustainable Communities Regional Planning grant program, as well as to continue the Community Challenge grant program.
- **Choice Neighborhoods:** HUD is requesting \$250 million for the Choice Neighborhoods program for FY 2012. This funding level would make possible the award of 5-7 competitive Implementation Grants in the range of \$35-45 million, primarily for the redevelopment and preservation of distressed public housing or assisted housing developments. Up to 10% of the funding request, or \$25 million, would be available for Planning Grants to initiate planning processes for such redevelopment and preservation efforts.
- **National Housing Trust Fund:** HUD's budget calls for \$1 billion in funding for the National Housing Trust Fund (NHTF) on the mandatory side of the budget (not discretionary appropriations), but does not identify a specific funding source or budget offset; the Administration intends to look for future legislative opportunities to identify a funding source.
- **Proposed Reforms to the Low Income Housing Tax Credit (LIHTC) Regulations:** These reforms would: lift the cap on household income (currently set at 60% of AMI) with the option that properties serve households with an average income no greater than 60% of AMI and no individual household above 80% of AMI; and provide a 30% basis boost for 4% credit financing being used for the preservation of federally-funded affordable housing stock, including public housing targeted by HUD's Transforming Rental Assistance (TRA) initiative, Multifamily Housing, 236s, Section 202 and Section 811 projects, and a variety of other types of federal funding.
- **Proposed Cuts to Community Development Block Grant (CDBG) Program:** HUD's budget proposal requests \$3.69 billion in funding for the CDBG formula grant program, a funding level that represents a \$300 decrease from the Administration's FY 2011 funding request.

For further details:

[HUD's Press Release Regarding Proposed FY 2012 Budget](#)

Proposed FY 2012 Federal Budget and Homelessness

Although funding levels for federal homelessness programs for FY 2011 are still being debated in Congress, the Obama Administration's Fiscal Year 2012 Budget Proposal includes proposals for significant investments into federal programs in support of the strategies and goals of *Opening Doors: The Federal Strategic Plan to Prevent and End Homelessness*. The United States Interagency Council on Homelessness (USICH) reported that the FY 2012 Budget Proposal "includes \$4.8 billion for targeted homeless assistance funding, as 23.4% increase over the previously enacted FY 2010 Budget and a 13.3% increase over the President's Fiscal Year 2011 Budget Proposal."

Significant elements of the FY 2012 Budget Proposal include:

- \$2.37 billion for Homeless Assistance Grants administered by local Continua of Care to maintain existing units and expand prevention, rapid re-housing, and permanent supportive housing - an increase from \$1.865 billion proposed for FY 2011.
- \$57 million for the Housing and Services for the Homeless Demonstration Program, which would combine 7,500 Section 8 / Housing Choice Vouchers with services funding from the U.S. Department of Health and Human Services.
- Increases in funding for the Section 202 Housing for the Elderly Program and the Section 811 Housing for Persons with Disabilities Program, with total funding proposed at \$953 million, including \$499 million to preserve assistance in existing units and for new construction and incremental project rental assistance contracts.
- Increased funding for the U.S. Department of Veterans Affairs' Grant Per Diem transitional housing program, Domiciliary Care residential treatment and rehabilitation programs, the Healthcare for Homeless Veterans Program, and Supportive Services for Low Income Veteran Families Living in Permanent Housing grant program.
- Funding to expand the number of USICH regional coordinators to 10 - from 5 - to dedicate more efforts to supporting state and local initiatives, increased funding for Health Care for Homeless grants, and increased funding for SAMHSA's Services in Supportive Housing program.

For more information:

[USICH's FY 2012 Federal Government Homelessness Budget Fact Sheet](#)

New Report on Veteran Homelessness

In January 2011, the U.S. Department of Housing and Urban Development and the U.S. Department of Veterans Affairs jointly issued the report *Veteran Homelessness: A Supplemental Report to the 2009 Annual Homeless Assessment Report (AHAR) to Congress*, the first-ever such report, and stated their shared intention "to partner on future annual Veteran supplements to the AHAR. These supplemental reports will monitor changes in veteran homelessness over time and provide policymakers and practitioners with updated annual data that can inform

policies and services."

This report documents that cities and counties across the United States reported 75,609 homeless veterans on a single night in January of 2009, 43% of whom were unsheltered. Nearly half of these homeless veterans were located in California, Texas, New York and Florida, while only 28 percent of all veterans were located in those same four states. Further, the report's analysis finds that veterans are overrepresented among the homeless population, representing 12% of all people (and 16% of adults) experiencing homelessness while less than 8% of the total U.S. population has veteran status, and veterans are 50% more likely to become homeless compared to all Americans, with the increased risk even greater among veterans living in poverty and poor minority veterans.

For more information:

[HUD's Press Release Regarding Veteran Homelessness Report](#)

[Full Veteran Homelessness Report](#)
