



Preserving Local Funding for Affordable Homes

The administration's budget proposal to eliminate redevelopment tax increment financing wipes out the only significant local financing for affordable homes (apartments and single-family houses): the 20% set-aside in the Low and Moderate Income Housing Funds. This represents a loss of more than \$1B a yearⁱ and a halt to construction of affordable places to live for the most vulnerable Californians.

Virtually every local government official who testified before the legislature in the last two weeks cited the production of affordable homes as redevelopment's most significant accomplishment. Our coalition has identified an approach that would maintain this crucial function if policymakers decide to eliminate redevelopment agency financingⁱⁱ.

Description

In his 2008-09 FY report, the State Controller reported redevelopment agencies collectively owe their housing funds \$17 billion. (This is not cash-on-hand.) This is designated by statute as debt of the agencies and must be paid and used for housing before an agency may cease operations. However, the \$17 billion is not included in the administration's calculation of redevelopment debt. Spread over twenty years, repayment of the \$17 billion would equal \$850 million annually.

Our approach would modify the administration's proposal to satisfy the existing housing debt by designating \$850 million of the former tax increment for locally-administered affordable home production, beginning in 2012-13. After repaying other redevelopment debt, the remainder of the former property tax increment would be distributed to schools, cities, counties, and special districts pursuant to the governor's proposed allocation formula.

By the numbers

Estimated tax increment revenue ⁱⁱⁱ	\$5.2 billion
Repay non-housing debt	\$2.2 billion
Repay housing debt	\$850 million
Remainder to be divided pursuant to governor's proposal	\$2.15 billion

This approach keeps the governor's budget in balance, provides more of the former redevelopment tax increment to schools than they currently receive, and allows continuation of the most valuable function of redevelopment: creating homes affordable to homeless families, veterans, people with severe mental illness, former foster youth, low-income seniors, and women escaping domestic violence.

ⁱ According to the LAO, in 2008-09, 20% of redevelopment revenue equaled \$1.14 billion.

ⁱⁱ We are not advocating for the elimination of redevelopment agencies. In response to legislators' requests, we have developed this modification to the governor's proposal in order to preserve affordable home funding if the Legislature decides to eliminate redevelopment agencies.

ⁱⁱⁱ These numbers are based on assumptions used in the governor's budget for FY 2011-12.