

LOCAL REDEVELOPMENT AGENCIES' ROLE IN STATE'S AFFORDABLE HOUSING SUPPLY

Redevelopment is the largest funder of affordable homes in California after the federal government. Over 98,000 units of affordable housing have been constructed or rehabilitated since 1993.¹

Setting aside at least twenty percent of their tax increment, redevelopment agencies fund the rehabilitation and construction of affordable housing for low- and moderate-income households in California.

- Redevelopment agencies assisted 213,472 households from 1997 through 2008 – an annual average of 19,406 low- and moderate-income households.
- From 1999-00 through 2007-08, 49% of this assistance went to very-low-income households, 36% to low-income, and 14% to moderate-income households.
- Data is available from 1995-96 through 2007-08 to determine the following breakdown: 57,088 new housing units were constructed, 21,064 housing units were rehabilitated, and 9,210 units had affordability covenants placed on them.

How the Housing Fund Works

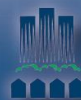
California law requires that 20 percent of new property taxes collected in a project area be set aside in a housing fund, the Low- and Moderate-Income Housing Fund (LMIHF). These funds can be used only to preserve, upgrade and create housing that is affordable to very low-, low- and moderate-income households.

Each agency is required to have a Five-Year Implementation Plan, in which it outlines how it will create and preserve housing for community residents with modest incomes. The Plan also specifically describes how the agency will meet its three basic housing responsibilities: the housing set aside, housing production, and replacement housing.

The LMIHF is used by redevelopment agencies to:

- Buy property
- Sell property to developers who then build affordable housing
- Reduce the cost of rental privately-owned housing

¹ All affordable housing data is from the Department of Housing and Community Development's Housing Activities of California Redevelopment Agencies reports for the identified years. Electronic reports are available online for FY 2000-01 to FY 2007-08. Prior year data is from paper copies of the same annual reports which are available from HCD.



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- Prevent the loss of government sponsored housing that is currently affordable
- Meet replacement housing requirements
- Improve sites, roads, and public utilities so that new affordable housing can be built.

Affordable Housing Requirements of Redevelopment Agencies

In redevelopment project areas adopted since 1975, a percentage of new and rehabilitated housing units must be made affordable to very low-, low-, and moderate-income households. Here is a brief review:

- Fifteen percent of housing units developed by organizations other than the agency must be provided at an affordable cost to low- and moderate-income households. At least 40 percent of these units must be affordable to very low-income households.
- Thirty percent of housing units developed directly by an agency must be provided at an affordable cost to low- and moderate-income households. Of these units, at least 50 percent must be affordable to households with very low-incomes.
- Agencies must ensure that this percentage of affordable housing is produced every ten years.
- Rental units assisted by the agency must remain affordable for at least 55 years and owner units for at least 45 years.
- An agency can meet these requirements with units developed outside a project area, but units created outside the project are counted differently - two affordable units produced outside the project area count for each one produced inside the project area.

Replacement Housing Plan

In the event that redevelopment activities remove housing units where people of modest incomes live, an agency is required to prepare a Replacement Housing Plan. This Plan must show how the agency will replace 100 percent of these units within four years. Replacement housing units can be built anywhere within the community.

Replacement housing units must be made available at a cost that is affordable for the people who most recently lived there. Residents who need to move must also receive financial assistance with moving and living expenses (relocation benefits). They will also receive first priority for housing units as they become available.