Testimony before Joint Senate Transportation and Housing Committee
Assembly Housing and Community Development Committee
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My name is Greg Sparks. I am a Vice President at Mercy Housing California. Mercy Housing is a faith-based, national non-profit organization, developing, owning and managing affordable rental housing. Our mission is**:** To create stable, vibrant and healthy communities by developing, financing and operating affordable, program-enriched housing for families, seniors and people with special needs who lack the economic resources to access quality, safe housing opportunities.

Mercy Housing has regional development offices in Atlanta, Chicago, Denver and Seattle. In California we have offices in SF, LA and West Sacramento. Over the course of our 28-year history, Mercy Housing has developed 38,000 affordable homes for the families and special needs populations such as seniors, formally homeless and permanently disabled. In California our portfolio consists of 7,631 rental homes at 125 properties. Median annual income of a Mercy Housing household in California is $15,947 or a wage of $8.15/hour

I am here today representing organizations that promote and develop affordable homes for the least fortunate in our communities. We advocate through California Housing Consortium, Housing California, California Rural Housing Coalition, Non-Profit Housing Association of Northern California and Southern California Association of Non-Profit Housing.

In order to address the critical role that redevelopment tax increment financing is in affordable homes, I need to provide you with a quick crash-course in affordable housing finance. The homes that we develop are modest in size and amenities, but otherwise indistinguishable from market rate rental housing. We take pride as an industry in creating assets in our communities and neighborhoods. Suffice it to say it is not affordable because it cost us less to construct it. Likewise, the management costs associated with operating an affordable apartment complex is not less. If fact, we ask much more of our property managers in order to comply with the oversight requirements of our funding partners and create an environment where our resident can thrive.

What makes our homes affordable is that we secure subsidized financing that does not require repayment. Unfortunately, no one source of subsidy provides all of the funding to achieve affordability. We have to assemble a complex stack of multiple sources, frequently six to eight layers deep. The 20% Redevelopment Tax Increment Housing Set-aside is a critical financial component in many of our developments.

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Last week, I submitted to the Committee Secretary a chart that details the Mercy Housing portfolio of housing developed in concert with redevelopment agencies in California. That partnership with redevelopment agencies made it possible to create 1,309 affordable apartments at 44 properties. We have an additional 300 homes starting construction this Spring and over 2,000 apartments in our active pipeline. None of these developments would have been created, or will be developed, without the contribution of tax increment financing.

I wish to detail one of the developments that we now have in construction and soon to rent-up. Boulevard Court is an adaptive reuse of an old Budget Inn Motel, that was a blight in its neighborhood. It will provide affordable housing opportunities to 75 permanently disabled and formally homeless individuals, with comprehensive wrap-around case management services. A portion of the case management services are financed by the local Sutter Hospital and UC Medical Center. They find that it is more cost effective to get homeless people stabilized in housing with appropriate support services than to have to bear the expense of the "frequent flyers" in their emergency room.

I point out this connection with healthcare, because I believe there is nexus between housing and health. Housing homeless people is not a luxury, but a core service in our communities.

Redevelopment Agency tax increment funding represents $1,273,000 of the total $23,058,000 development cost of Boulevard Court. Many of the new residents of Boulevard Court will have no income, (no Disability Income or General Assistance). The Redevelopment Agency provided a $3,500,000 operating deficit guarantee, in the event that the incomes of the occupants are insufficient to cover the operating costs of the property. The total gap filled by redevelopment agency funds represents in excess of $4,370,000. Mercy Housing, nor any other developer could have undertaken this development, converting a blight into a community asset, without the financial participation of the Sacramento Housing and Redevelopment Agency.

Serna Village at McClellan provides homes to 84 families that suffered the trauma of homelessness. Daily, families celebrate their family reunification; many having previously lost their children to Child Protection Services. Parents are keenly focused on the educational performance of their children, knowing that this provides the key to their future. After-school programs and the computer lab at the property are packed. I submit to you that there is a nexus between the home of a student and their educational performance. Housing is a core service.

Serna Village is developed on the decommissioned McClellan Air Force Base. While the Federal Government enabled some of the land to be used for homeless housing, the environmental mitigation costs were borne by the end user. The

Redevelopment Agency was able to provide the funds necessary to establish that the development was economically feasible.

At Serna Village, redevelopment financing represented $885,000 of a total development cost of $17,571,000. An additional $1,500,000 of a standby payment guarantee was made available by the Sacramento Housing and Redevelopment Agency. Again, tax increment financing was the glue that allowed Mercy Housing to have the confidence to develop this healing community.

In each instance cited today and in fact in all redevelopment collaborations, the agencies are able to provide affordable housing sponsors with early risk equity funds that no other financing source would consider. If left to our own devices, without Redevelopment Agency financial participation, those with the greatest need in our communities, will go unserved.

Clearly I am advocating for the preservation of 20% Tax Increment Housing Set-Aside. The homes financed in part with redevelopment funds represent a critical if not core services in our communities.

Finally, we are supportive of the discussion of reform, to better regulate those few agencies that exploited targeted funds.

I want to thank you for inviting me to speak with you today.