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California redevelopment funding ends today: So what happens to affordable housing?

California's redevelopment agencies officially are out of business, effective today. But that doesn't mean that the future of affordable housing is wiped out in the state.

The loss of new tax funds will make the process of providing future low- and moderate-income housing for the state's residents much more difficult – but not impossible, experts say.

The end of redevelopment money for housing "has everybody in the affordable housing community working to figure out how we continue to do the projects that we've been doing," said Steve Gall, senior vice president in Roseville for USA Properties Fund, "especially since economic reports suggest that poverty in America is at an all-time high."

USA Properties Fund last fall received $5.6 million in gap funding from the city of Elk Grove for the company's senior affordable housing project, the 69-unit Vintage at Laguna Phase II, now under construction.

The money, loaned at 4 percent interest, was generated from city fees on market-rate construction. Those funds are now fully committed.

Meanwhile, other prime sources of affordable housing money are being squeezed, leaving the affordable housing industry scrambling.

"It's very concerning to us," said Holly Wunder Stiles, director of housing development for Sacramento-Yolo Mutual Housing Association. The association has built more than 900 homes in the area and has turned to redevelopment agencies to finance the costs of construction and to support the properties' management operations after they are built.

"Often when we apply to state or federal (housing) programs, they expect to see a certain level of local contributions," Wunder Stiles said. "They want to see that we're leveraging local dollars."

Redevelopment money for affordable housing has been the second-largest funding source in California.

"It's the most flexible layer (of funds)," said Brent Hawkins, legal counsel for the California Redevelopment Association. "Without it, either there won't be any more affordable housing built, or we're going to have to figure out a whole new way to do it."

Brian Augusta, legislative advocate for the Western Center on Law and Poverty, said putting together a strong project requires builders to draw from many sources.

"Losing redevelopment housing funds, without anything to replace it, is going to have tremendous impact on our ability to house low-income people," Augusta said.

California, he said, needs a "new source of funding" to help satisfy the growing need to provide affordable housing for low-wage workers and people existing on SSI and Social Security.

Housing advocates say there is support in the Legislature to find new funding sources. On Tuesday, however, legislation to allow local governments in California to retain $1.36 billion already collected in the low- and moderate-income housing funds showed how tough that challenge will be.

The measure, Senate Bill 654 by Senate President Pro Tem Darrell Steinberg, passed the Senate and goes next to the Assembly. But it failed to win the two-thirds vote needed to take effect before 2013. Steinberg said he would keep pushing emergency legislation, but that effort faces an uncertain fate with Brown.

Under the law that eliminates redevelopment agencies, the money is to be redirected, instead, to schools and other local taxing agencies this year.

The absence of redevelopment housing money means it will be difficult to provide a balance between market rate and affordable housing, said Bob Erlenbusch, executive director of Sacramento Housing Alliance.

That imbalance can be underscored by the Sacramento Housing and Redevelopment Agency's contributions of past years – funds that won't be replenished.

Since 2004, SHRA has spent $81 million to help house people with low and moderate incomes.

Those dollars leveraged another $1.8 billion in public and private funds. The result has been more than 7,300 units for individuals and families, including elderly people with limited incomes.

As those housing funds disappear, so do counterpart funds from state and federal sources.

La Shelle Dozier, SHRA's executive director, said federal funds that the agency has administered for low-income housing are diminishing. SHRA's housing successors "will continue to address the need for affordable housing," Dozier said. "But it will be on a smaller scale."

Two years ago, for example, the federal HOME program provided $7 million to assist local affordable housing developers in costs of building, buying or rehabilitating projects. This year, federal HOME funds have been slashed by nearly half.

Statewide, another $2.9 billion in California's Proposition 1C bond funds are on the verge of running out. The 2006 proposition helps finance low-income housing and infrastructure.

Given the chemistry of economy and reduced funding, some for-profit companies are rethinking their business strategies.

Steve Eggert, co-owner of St. Anton Partners, said tax and other incentives have long played an important role in ensuring that affordable housing project costs pencil out.

In recent years, Eggert said his firm has been " focusing more and more on projects not dependent on subsidy dollars."

He said "the demise of redevelopment means we'll be doing fewer of those projects."

Nonprofits are feeling the squeeze more, and some are actively working with state lawmakers to develop alternative programs for housing.

"We have a huge need for this type of housing in the state, " said Cynthia A. Parker, president of BRIDGE Housing in California.

"We are going to have to figure out a public policy solution. "If you want to reach the lowest-income people, it can't be done without a subsidy."