

# Without redevelopment, affordable housing projects dwindle

*New financing mechanism needed, builders and housing activists agree*

An improving market – and increased cooperation by local governments – makes it easier for builders to put up market-rate housing these days.

But in a post-redevelopment world, affordable housing is a different story. And builders, advocates and government officials said the way out isn't clear.

Most recently in Sacramento, potential changes to the city's housing ordinance have spurred strong reactions from affordable-housing advocates who worry the city is moving too far in the direction of what builders want.

“There's a big concern about local jurisdictions using the demise of redevelopment ... to undo inclusionary affordable housing,” said Rachel Iskow, CEO of not-for-profit affordable housing group Mutual Housing California. “Inclusionary” refers to a strategy of requiring builders to include affordable units in market-rate projects.

The irony of that, she said, is that reduced building fees and lowered land values have lowered the cost of including affordable housing.

But builders say too often the responsibility for affordable housing falls solely on homebuilders – who pass the costs on to buyers, said John Costa, director of government affairs with the Building Industry Association.

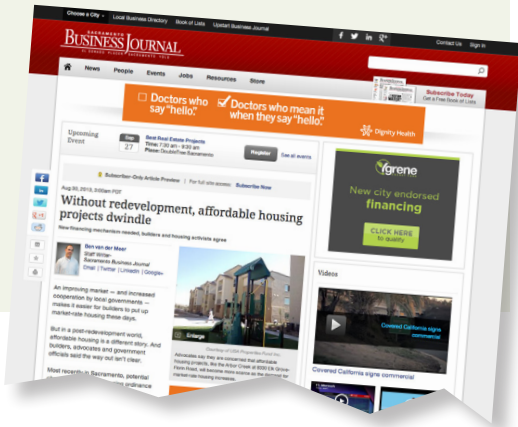
“In our industry, we want to be a partner,” Costa said. “We don't believe it should be the sole responsibility of the new-home builder.”

The BIA and its members would like more flexibility, avoiding mandates that require an affordable component in all projects, Costa said.

“We know just requiring it across the board, because you force the developer to do it – it's just not going to happen,” he said. Many developers will move onto the next place they can do a project instead, where there are fewer barriers.

Where both builders and affordable housing advocates agree, though, is there has to be a new way to pay for such projects.

Both Costa and Greg Sparks, interim executive director with the Sacramento Housing Alliance, said they're keenly watching the fate of Senate Bill 391, which would enact a fee with the recording of real estate documents,



Advocates say they are concerned that affordable housing projects, like Mutual Housing at Spring Lake in Woodland, will become more scarce as the demand for market-rate housing increases.

*Rendering courtesy of Kuchman Architects PC/LN Productions.*

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such as a home sale, to pay for affordable housing.

Sparks said his group, which advocates for more affordable housing in the region, also has approached both Sacramento city and county about also tapping tax-increment dollars that the state agreed to distribute when it ended redevelopment agencies. Local governments get such money with relatively few strings attached, though it's far less than what redevelopment provided, he said.

Without redevelopment, or state funding under Proposition 1C, a housing bond, few affordable housing projects are moving forward, he said. That's doubly true for projects aimed at very low incomes, or those making less than 50 percent of the median income.

And the federal government has also cut back on community development block grants that make up another potential source, Sparks said. "It's bleak out there."

Such conditions have led some builders who used to specialize in affordable housing to shift their focus. Though Sacramento-based St. Anton Partners specializes in building multifamily projects, the elimination of redevelopment and other hindrances have compelled the company to almost rule out affordable housing projects, said company co-owner Steve Eggert.

"In the last 10 to 12 years, there's been a consistent addition of additional obstacles," he said, including prevailing wage requirements, rent restrictions and interest-rate changes.

If governments want to spur private-side affordable housing, he said, the best method is to zone more land for development so supply creates affordability, and otherwise get out of the way. "Don't get restrictive. Get less restrictive," he said.

Although the supply of affordable housing has never come close to meeting demand, Sparks said the housing downturn of a few years ago

did result in more affordable housing being built because mechanisms like redevelopment allowed it to proceed when there wasn't demand for market-rate housing. In 2011, the top 25 private construction projects in the Sacramento Business Journal's Book of Lists included six affordable housing projects in the region, totaling more than 650 units.

The renewed interest in any type of homebuilding is welcomed among affordable housing activists like Sparks and Iskow; a lack of building doesn't help anyone, they noted. But Sparks pointed out even as home prices fell during the housing bust, rents have remained steady, so lower-income residents who can't buy haven't seen much improvement.

Such factors make it important for cities to buy land now and bank it for later affordable housing, even if the source of paying for such housing is still unclear, Iskow said.

"We don't want to be an exclusive community," she said.