

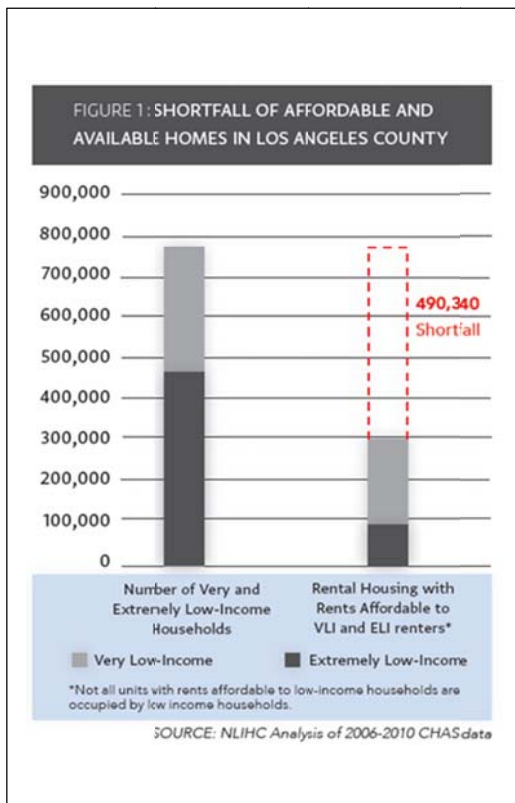
SCANPH

SOUTHERN CALIFORNIA ASSOCIATION OF NONPROFIT HOUSING

Los Angeles County Should Dedicate a Majority of the New Funds It Receives From the Dissolution of the Redevelopment Agencies Towards Building Affordable Homes.

1. LA County Leads the Nation in Housing Unaffordability, Negatively Impacting Public Health and Driving Up Demand for County Services.

In Los Angeles County, there is a shortage of 500,000 homes affordable to individuals and families making under \$43,000 per year. See Figure 1. This shortage leads to other grim statistics:



- Over 44,000 men, women and children are homeless every night in the County. This is a 12% increase from two years ago.¹
- The County is home to seven of the top ten zip codes with the worst housing overcrowding in the nation; nearly 30% of the zip codes in the top 1% most crowded zip codes nationally are in the County.²
- A family must earn \$71,000 to afford the average County monthly rent of \$1,796. The median renter household income – at \$39,000 -- is just over half the earnings needed to afford this rent.³ Rising rents are forcing families into homelessness.⁴ Nearly 3 in 10 County households are living in poverty, and high housing costs are a primary cause.⁵
- A median-income family can only afford 22% of the homes for sale in the County; economists warn that businesses will have difficulty recruiting mid-level employees due to the high price of homes.⁶

The shortage of affordable homes makes the delivery of other County services and functions more costly and less effective. Housing a formerly homeless person with a disability in permanent supportive housing typically saves the County over \$2,000 per month in public costs compared with what it spends on a resident who is still homeless.⁷ Almost half of children in foster care have a birth parent with a history of homelessness, and *about 30% of children in foster care cannot reunite with families because the family lacks safe, stable housing.*⁸ A taskforce spearheaded by the Los Angeles County District Attorney has proposed that permanent supportive housing be part of a jail diversion

program for criminal-justice-involved individuals with mental illness because it would be less expensive, provide better treatment, and result in lower rates of recidivism than jail.⁹

Similarly, increasing affordable housing options for County residents would improve both their physical and mental health as well as their school performance. Studies have shown that children who experience homelessness have higher rates of chronic and acute illnesses, more trauma, and more social, emotional, and learning difficulties.¹⁰ In addition, children living in overcrowded homes are significantly more likely to be held back a grade, suffer from reduced brain plasticity (important for learning and memory creation), and score lower on math and reading tests.¹¹ Likewise, housing instability increases depression, teen pregnancy and drug use among adolescents.¹² Finally, families who live in unaffordable housing have less money for healthcare and nutritious food. According to the Los Angeles County Department of Public Health, a lack of decent, affordable housing can lead to serious health consequences, and create or contribute to profound health inequities.¹³ These outcomes can cause County residents to access County services when they would not need them if they were affordably housed.

2. Despite the Growing Need for Affordable Homes, Local Funds for Creating Them Have Been Cut by \$230 Million Per Year Since 2008.

Despite the acute need for more affordable homes, annual *local* funding for housing within LA County has decreased by 90% since 2008. *See Table 1.* The dissolution of the redevelopment agencies in 2011 took \$250 million per year in affordable housing funding away from localities within LA County; this included the City of Industry funds, which the County had administered for many years.

In a step to mitigate this traumatic loss of funding, the County should be applauded for allocating \$15 to \$25 million in general funds each year towards building affordable homes. While important, this general fund allocation still leaves roughly *\$230 million less in local funding per year* for affordable homes within the County than in 2008. The County is also facing *an additional annual deficit* of about \$230 million in *state* funding for affordable development compared with what it received in 2008 (most from the depletion of the state housing bond funds).

The loss in funds has impacts beyond the number of affordable places to live -- it also means a loss of jobs and public and private investment for the County. \$230 million in annual local investment in affordable homes creates 12,995 well-paying construction jobs per year. In addition, a \$230 million local investment leverages \$1.6 billion in other public and private funding.¹⁴

Developers are ready to build affordable homes in the County at the pace they did before the recession. However, they need substantial and reliable sources of capital before initiating the risky and expensive process of acquiring land for the purpose of developing desperately needed affordable homes.

3. The County Should Allocate a Majority of Both the Annual Residual RDA Payments It Receives And the Proceeds from the Sales of RDA Assets to Creating Affordable Homes.

The County is uniquely situated to make an immediate and substantial contribution towards filling the \$230 million funding gap. According to the County Assessor’s Office, the County received about \$134 million in new residual RDA Dissolution Payments into the County General Fund during the 2013-14 fiscal year.¹⁵ The annual residual RDA dissolution payments to the general fund are expected to grow over time. In addition, the County will receive its proportionate share of revenues from the proceeds of the sales of assets that belonged to the former RDAs.

TABLE 1: DECREASE IN LA COUNTY’S STATE & LOCAL AFFORDABLE HOUSING CAPITAL FUNDING SOURCES: A COMPARISON OF FY 2007/08 WITH RECENT YEARS

<u>STATE FUNDING SOURCES</u>	<u>FY 2007/08</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>FY 2014/15</u>
State Housing Bonds Prop. 46 & Prop. 1C ^a	\$247,070,862	\$10,000,000	\$42,250,860 ^b	unknown
Mental Health Services Act	\$ 88,124,045 ^c	\$ 2,000,000	-----	\$ 1,200,000 ^d
Cap & Trade Funds	-----	-----	-----	\$31,320,000 ^e
Prop. 41 Funds	-----	-----	-----	\$23,170,163 ^f
General Fund	-----	-----	-----	\$26,100,000 ^{e,g}
TOTAL STATE FUNDS	\$335,194,907	\$12,000,000	\$42,250,860	\$81,790,163
<u>LOCAL FUNDING SOURCES</u>	<u>FY 2007/08</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>FY 2014/15</u>
RDA Funds for Affordable Housing	\$251,148,877	\$0	\$0	\$0
LA County General Fund Allocation ^h	-----	\$11,000,000	\$15,000,000	\$20,000,000
First Five Allocation	-----	\$11,400,000	\$0	\$0
TOTAL LOCAL FUNDS	\$251,148,877	\$22,400,000	\$15,000,000	\$20,000,000
TOTAL STATE & LOCAL FUNDING	\$586,343,784	\$34,400,000	\$57,250,860	\$101,790,163

^a This funding will expire in a few years.

^b The majority of these funds became available due to disencumbrances of prior awards.

^c This is state money that the County DMH administers. This amount was awarded to developments over several years.

^d This amount was approved in 2014 for three fiscal years, until 2016/2017.

^e This allocation represents 26.1% of the total state allocation because LA County’s population is about 26.1% of the total state population. Given the program requirements for the Cap & Trade funds, it is likely that the allocation that could go to LA County would be greater.

^f VHHP Program Guidelines, 2/18/2015, Sec. 110(f)(2)(B) mandates at least 31% of the Prop. 41 funds go to LA County. Prop. 41 funds are not permanent but will expire in several years.

^g This was a one-time allocation.

^h The County has also already allocated \$24,979,000 for 2015/16 and \$15,000,000 for 2016/17.

The County should allocate a majority of the future annual residual RDA Dissolution payments it receives into its general fund, as well as a majority of the one-time funds it receives from the sales of RDA assets, toward creating affordable homes. If it did, the County would have a housing fund that would enable developers to exponentially accelerate the pace at which they are able to build affordable housing now and provide a good start towards filling the \$230 million annual local funding gap.

Furthermore, the County may be able to act as a catalyst and incentivize the 88 cities within its boundaries to also invest in affordable development. Over the longer term, the County should also explore other potential ways to fund affordable homes that make the delivery of core county functions more effective and/or cost-efficient. Finally, the County should investigate whether it owns appropriately zoned land that it could donate for building affordable homes. SCANPH will publish position papers on those approaches at a later date.

Conclusion

The affordable housing community looks forward to working with Los Angeles County to re-start development at a pace that the County's affordable housing crisis demands. A commitment towards affordable housing of both (1) a majority of the residual RDA funds the County receives each year and (2) a majority of the funds the County receives when assets of the former RDAs are sold would provide the much-needed financial assurance for the affordable housing development community to start building again.

¹ The LA Homeless Services Authority, "The Greater Los Angeles Homeless Count," 2015, <http://bit.ly/1SRuob9>.

² SCANPH count of zip codes with worst housing overcrowding using Los Angeles Times analysis of 2008-2012 American Community Survey Data, <http://graphics.latimes.com/crowding-map/>.

³ Marcus & Millichap 1st quarter 2015 reports for LA Co. ; 2009-13 American Community Survey, B25119, Median Household Income the Past 12 months.

⁴ *More Homeless Camps Are Appearing Beyond Downtown L.A.'s Skid Row*, LA Times, <http://www.latimes.com/local/california/la-me-homeless-encampments-20150125-story.html>.

⁵ California Housing Partnership Corp., *The Critical Role of Housing Access & Affordability in Reducing Poverty*, April 2015, citing Stanford University Center on Poverty & Inequality, with the Public Policy Institute of California.

⁶ *Barely 1 in 5 L.A. homes affordable to middle class, study finds*, LA Times, <http://lat.ms/1zAJHds>; *California's high housing costs drive out poor, middle-income workers*, LA Times, <http://lat.ms/1xBX4tX>.

⁷ Economic Roundtable, *Where We Sleep: Costs when Homeless and Housed in Los Angeles*, http://economicrt.org/wp-content/uploads/2009/11/Where_We_Sleep_2009.pdf.

⁸ C. Zlotnick, D. Kronstadt, L. Klee. "Foster Care Children & Family Homelessness." *Am. J. Public Health* (1998); Y.A. Doerre, Y.A. et al. (1996). *Home Sweet Home*. Washington, DC: Children's Welfare League of America Press.

⁹ LA County District Attorney's Office, *Sequential Intercept Mapping Report*, 2014; *A Way Forward: Diverting People with Mental Illness from Inhumane & Expensive Jails into Community-Based Treatment that Works*, ACLU of So. Cal., July 2014.

¹⁰ *How Homelessness Impacts Very Youngest in Shelters, Schools*, KPCC, <http://bit.ly/1zSiXJy>.

¹¹ Goux & Maurin, "The Effect of Overcrowded Housing on Children's Performance at School" (*Journal of Public Econ.* 89, 2005); Solari, Mare. "Housing crowding Effects on Children's Wellbeing: National and Longitudinal Comparisons." (UCLA California Center for Population Research, 2008); Kopko, "The Effects of the Physical Environment on Children's Development" (Cornell 2013); "A Brief Historical Context and Framework for Equitable Housing Policy in Long Beach" (Housing Long Beach, 2013), citing Krieger & Higgins (2002), citing Reoeczci, W.C. (2003).

¹² *Social Determinants of Health: Housing and Health in Los Angeles County*, County of LA Public Health, February 2015.

¹³ *Social Determinants of Health: Housing and Health in Los Angeles County*, County of LA Public Health, February 2015.

¹⁴ Based on LA Co. Devel. Commission analysis of jobs created and money leveraged from housing funding since 2012.

¹⁵ By contrast, LA City receives \$50-\$60 million in RDA residual funds per year; other cities in the County receive much less. Cities are also reeling from the loss in redevelopment dollars they previously used for affordable homes. An ongoing County commitment of a majority of its residual funds for affordable housing, coupled with several one-time contributions from the sale of RDA assets, would allow the development community to start providing the homes County residents need.