

KQED News: Did the End of California's Redevelopment Agencies Hurt Affordable Housing?

[Cyrus Musiker](#) | February 26, 2014



Timothy and Tiffanie Keighran with daughter Leilani and son TJ. (Cy Musiker/KQED)

There's new evidence every day of the Bay Area's brutal housing market.

And a lot of housing experts think the short supply of affordable rentals is likely to get worse, at least partly because the state did away with redevelopment agencies two years ago.

For all their faults, the agencies were legally required to devote a fifth of their revenue to affordable housing — about \$1 billion a year. And even as housing advocates mourn the loss of redevelopment, they're hoping lawmakers will provide some alternatives.

Still, nonprofit developers are still breaking ground on some new projects.

A tiny tractor was zipping back and forth a few days ago in Hayward readying the ground for work on 22 new apartments. They'll be part of a complex for seniors on limited incomes, at the site of a former cannery, built and managed by Eden Housing.

“The cannery that we’re standing in,” said Eden Housing President Linda Mandolini, watching the tractor work, “the whole area happened because of redevelopment, and made it possible.”

But Mandolini said Eden had to tap federal funds for this new construction, after California lawmakers did away with redevelopment agencies.

“The state wiped out a billion dollars a year, statewide, for affordable housing, and they’ve replaced it with nothing.”

And Mandolini said the need for affordable housing is urgent. “I can foresee significantly longer lines for affordable housing,” she told me. “The last property that we leased, we had 10 applications for every apartment that we had available.”

As I sat in her office, she detailed how affordable housing subsidies are drying up.

“I’ll give you an example.” Mandolini said, “Oakland used to have an RFP (bureaucrat speak for a request for proposals) that was \$20 million a year to develop new affordable housing. This year the RFP is \$3 million.”

And that 85 percent decline, she said, is due to the end of redevelopment.

San Jose has also taken a hit

The funds are withering away as well in San Jose, the country’s fourth-most-expensive housing market (San Francisco is first). San Jose Housing Director Leslye Corsiglia told me recently that redevelopment used to subsidize close to 1,000 units a year of below-market-rate housing

“We expect this year with the funds we’ll have to produce about a quarter of that amount.” Corsiglia said. “And even at 1,000 units a year, that wasn’t enough to meet the need. So we’re falling farther and farther behind.”

There’s a regional housing plan for the Bay Area under which San Jose is supposed to build about 2,500 affordable units a year. Corsiglia said the city can subsidize only one-tenth that many.

And don’t expect salaries to keep up with the high cost of rentals, even with the booming tech economy.

Corsiglia said firefighters and teachers are struggling to pay soaring rents or to buy a home. And she points to a recent study from the Silicon Valley Housing Trust that predicted more than half the new jobs in Santa Clara County in the next five years will pay \$11 an hour or less.

“If we want to have a high-quality community, we need to provide housing for all, and that includes people who mow your lawn and clean your house,” she said.

Or ring up your groceries in San Mateo.

“We’ve been living paycheck to paycheck for a couple of years now, and it only got harder after we had a kid,” said Timothy Keighran.

Keighran, a former Marine, is a retail clerk at Whole Foods. He said for years he worked two jobs and still fell behind on the rent for a small, dirty apartment in San Mateo that cost almost \$1,800 a month.

“So, the two jobs didn’t take a toll on me,” he said. “It was the fact that I was missing whole days in the life of my children.”

Keighran shared the one-bedroom apartment with his 3-year old son, T-J, 7-month-old daughter, Leilani, and wife, Tiffanie.

“There was no way of getting out’

“I just felt we were in a black hole,” Tiffanie Keighran told me recently, “and going deeper and deeper and deeper. There was no way of getting out.”

The Keighrans now pay less than \$1,000 a month for a clean, well-lit, brand-new apartment with two bedrooms and two baths. MidPen Housing, a nonprofit developer like Eden Housing, finished building the apartment complex in San Mateo late last year, partly with redevelopment funds.

“It really took a toll on you, but as you see now, it’s so worth it,” Tim Keighran said.

The Keighrans were one of 60 lucky families, out of 2,800 who applied. Thousands of qualified renters remain on the waiting list for just this building.

The affordable housing shortfall is bad not just for working stiffs but for the whole Bay Area, said demographer Hans Johnson at the Public Policy Institute of California, because it’s bad for the economy.

“Californians spend a higher share of their income on housing than in any other state,” he said. “And so that means you have less money to spend on other activities,” whether that’s health care or food.

The Bay Area is big enough, Johnson said, to accommodate a few cities like Atherton and Hillsborough, or Piedmont and Kensington, where only the rich can afford housing. But housing costs today are soaring from San Jose up the Peninsula to San Francisco, with Oakland not far behind. That means longer commutes for some from lower-cost areas, polluting the air and making roadways more congested for everyone.

And Johnson said he’s troubled by a new survey he oversaw that found the state isn’t building enough housing of any sort — affordable or market rate.

“In the boom times we were producing 150,000 to 200,000 new housing units each year,” he said.

Now the state is building barely half that number, Johnson said, “so we clearly have a problem with building new supply.”

And Johnson said that shortfall is driving prices up, no matter how much cities or the state subsidizes housing that is below market rate.

Everyone I talked to for this story said they’re looking to one bill in the state Legislature, “The California Homes and Jobs Act,” from state Sen. Mark DeSaulnier, D-Concord, to help California fill the funding gap left by the end of redevelopment.

“It would make a big difference in starting to deal with our crisis in affordable housing in California,” DeSaulnier said.

Proposed fee could raise up to \$750 million

His measure, SB391, would impose a \$75 fee on real estate documents for refinancing and produce, DeSaulnier said, up to \$750 million in new revenue for affordable housing.

“We get out of that a restoration of a significant portion of the old housing set-aside we had with redevelopment,” he said.

“Housing costs are going through the roof in urban areas in California,” DeSaulnier said in a recent interview, “and are a major contributor to higher poverty rates in California.”

DeSaulnier also has co-sponsored a bill that would allow cities to create a kind of “redevelopment lite.” They could designate certain neighborhoods for housing and infrastructure improvements, and then use some of the same financing tools that were key to redevelopment agencies becoming a \$5 billion-a-year industry in California.

One difference from the old system is that the new districts would have to win approval from the county, school district and other tax entities that would be shortchanged.

Gov. Jerry Brown has also proposed making it easier to form Infrastructure Improvement Districts, another way to finance affordable housing.

But H.D. Palmer, a spokesman for the California Department of Finance, said “the ability to expand those infrastructure districts would be contingent on the continued winding down or dissolution of redevelopment districts.”

And that process is hung up in the courts, with billions of dollars still at stake as cities battle to hold onto redevelopment funds.

Meanwhile, people like Timothy Keighran say they'd welcome any policy change that produced more affordable housing. Keighran said he grew up in San Francisco and his wife Tiffanie in South San Francisco. Many of their childhood friends, he said, have moved to lower-cost areas like Modesto or Truckee.

"It hurt a lot to know that the only place we knew," Keighran said, "where we lived and grew up here in the Bay Area, you had to make close to six figures just to be able to live here."

Keighran said the Bay Area shouldn't betray its working families.