

Redevelopment Agencies Set-Asides

To accomplish revitalization of blighted areas *Redevelopment Agencies* (RAs): make loans to small businesses and non-profit incubators; alter, improve, modernize, reconstruct, or rehabilitate existing structures (commercial, residential, industrial and retail); and engage in other activities geared to the preservation of affordable housing, such as the creation or rehabilitation of affordable and market rate housing. The tax increment is the financial backbone of the redevelopment agency. As projects are developed and property values increase, the agency retains all of the resulting increase in property tax revenues. Other local governments (e.g., counties, cities, school districts and special districts), whose jurisdictions overlap, receive property tax revenues based on the property values existing before the redevelopment agency was created. The RA takes the tax increment revenue and spends it on infrastructure and other public improvements that facilitate additional redevelopment projects.

State law requires all redevelopment agencies to **set aside** 20 percent of their tax increment dollars to be spent on programs that increase, improve and preserve the supply of housing for very low-, low- and moderate-income households. If no project is provided within a redevelopment project area, then the funds must be used to build twice that amount elsewhere. Possibilities include financial assistance to upgrade existing units, the construction of new housing, and improvements to public facilities and infrastructure that service low- and moderate-income neighborhoods.

Examples of Affordable Housing Programs offered by RAs:

- Acquisition, Rehabilitation and Donation of Real Property
- First-time Buyer Program
- Post-Buying Counseling
- Rental Housing
- Mobile Home Parks
- Transitional Housing
- New Construction for Owners and SELF-HELP Organizations
- New Construction for Rental Families and Seniors
- Rehabilitation for Owners and Renters
- Remediation of Soil Contamination
- Financing insurance premiums during construction or rehabilitation
- Development of plans, payment of principal, interest, financing or carrying costs on bonds, loans, advances or other indebtedness to finance low- and moderate-income housing

Although not common, it is possible for RAs to declare *exemptions*. “Exemptions” refer to tax increment agencies allowed an excuse from deposit to the Low-Moderate Housing Fund under specific conditions. Before taking an exemption, the jurisdiction must have an adopted housing element that HCD determined complies with State housing element law. Also, agencies must annually adopt a resolution making one of the following findings:

- Community has no need to increase, improve or preserve the supply of affordable housing
- Less than the required minimum set-aside (20%) is sufficient to meet the community's need
- Community is making a substantial effort to meet its affordable housing need that is equivalent in value to the set-aside amount (only applies if obligations were incurred before May 1991).

RAs can determine autonomously the housing situation in the community and act accordingly. An agency's resolution, unlike the jurisdiction's housing element, is not submitted to HCD for a determination of compliance.”¹

Homebuyer Assistance

RAs have been highly involved in creating small communities of affordable housing. One way to do so is by making land offers to developers who are interested in building multi-unit complexes. The developer must set aside a percentage of the units for affordable housing. Some units will be restricted to either low or moderate-income buyers. If the units are rentals, the holding percentage will be for those who earn less than 100 percent of the median area income.

RAs acquire the land and sell the titles to developers at very reasonable prices so it can replenish its funds to maintain the program. Some of the money from the sale will be set aside to help first-time buyers with silent second loans. RAs also stay very involved in the plan and design of the units to ensure that the complex enhances the area.

Many redevelopment agencies have made good use of their set-aside dollars and have partnered with local housing non-profits to deliver services to the community. The previous list is an example how RAs can put their affordable housing set-aside money to good use. It represents a highlight of the variety of programs to which redevelopment agencies can apply their money. REALTORS® can approach their local redevelopment agency by presenting a concrete housing project. There is no mechanism for joint-participation, so REALTORS® would have to approach any staff member and ask him/her for directions on who to contact to make possible the project. This lack of mechanism means that the parts involved have room to work on the project's objectives and delivery, giving opportunity to novel ideas and joint partnerships.

Important Links:

- ✓ [List of Redevelopment Agencies](#)
- ✓ [Status of Low and Moderate Income Housing Fund \(Exhibit C-1\)](#): information about redevelopment resources available in your area.

¹ Department of Housing and Community Development, *Redevelopment Housing Activities in California Fiscal Year 2000/2001, Executive Summary*, p. 4.