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Promoting Quality Affordable Housing and Community
Development Throughout San Diego County

December 19, 2008

More Than 2,000 Affordable Homes Stalled Because of Economic Crisis

San Diego – More than 2,000 “shovel-ready” affordable rental homes and apartments are stalled in San Diego County because of the nation’s economic crisis. The projects need additional funding to fill the financing gap created by the loss of Low Income Housing Tax Credits (LIHTC) and the absence of alternative financing mechanisms.

San Diego Housing Federation Executive Director Tom Scott called on the President-elect and Congress today to include affordable housing in the infrastructure economic stimulus package being drafted in Washington, DC.

“We can put construction workers back to work and at the same time deal with one of the San Diego region’s most serious challenges – providing homes for hard working low-income families, seniors on fixed incomes, homeless veterans and other low-income San Diegans. This is putting public money to work for the public good.”

He noted that there are 26 stalled developments in the San Diego region that would create additional 2,016 affordable homes. According to estimates from the National Association of Homebuilders, starting production on these projects would put 2,681 people to work. In addition, 766 permanent jobs would be created.

Scott said that the Federation is specifically calling for a stimulus to:

1. **Replace lost tax credit equity.**
2. Provide **\$10 billion in HOME funds** nationally to increase local funding for stalled new construction projects.
3. Require financial institutions receiving U.S. Treasury assistance to **meet Community Reinvestment Act (CRA) requirements** for investing in the creation and preservation of affordable rental housing in the areas they serve and to purchase tax credits. Financial institutions, Freddie Mac and Fannie Mae have traditionally been the largest investors in low income housing tax credits.
4. **Increase the number of Section 8 vouchers** to help those affected by layoffs, reduced salaries, and the impact of the mortgage crisis on low income renters. Project-based vouchers could be used to leverage existing funding to provide affordable supportive housing for the homeless and other low-income groups needing special services.

The San Diego Housing Federation is part of a state-wide coalition of affordable housing advocates interested in preserving and creating affordable homes for lower income households. The specific recommendations of the group (see attached) focus on proposals related to:

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Add one/housing stimulus

- Capital spending
- Equity market liquidity improvements
- Debt market liquidity improvements
- Low income renter protections/homeless prevention
- Mortgage assistance

Scott said that over the last few days the financial news at the state and national level have led to increasing concern about ongoing production of affordable housing units in the County. “The existing need for additional homes for low-income households has overwhelmed the available supply. Affordable rental communities from one end of the county to the other have long wait lists and with the number of foreclosures, job losses, and the general economic downturn, they get longer by the day. This is the time to be building more affordable homes, not shutting off the spigot.”

Also speaking at the press conference were San Diego City Council Members Kevin Faulconer and Todd Gloria; Steve Francis, chairman of the Fr. Joe’s Villages Board, and Father Joe Carroll. The conference was held at Fr. Joe’s Villages on the site of a proposed development (15th and Commercial Streets) that would replace the two-story Bishop Maher transitional housing with a 12-story multi-use facility that would provide expanded child care, transitional housing, and affordable rental apartments.

The San Diego Housing Federation is a non-profit coalition of affordable housing developers, advocates, and those who provide financing for rent-restricted affordable homes for working families, seniors, and other low-income households.

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Economic Recovery Proposals From California Housing Advocates

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The California Housing Partnership's Federal Policy Project has collected data that shows that in California alone, we have 326 "shovel ready" affordable housing rental developments totaling over 27,000 affordable homes that can start construction in 2009 if adequate gap funding and tax credit investor equity is available.

Using the relatively conservative job creation formula from the National Association of Homebuilders, this would lead to more than 31,000 jobs in 2009, and even more in 2010.

A. Capital Spending Proposals

1. Since there is a documented need for more than \$2.2 billion in HOME gap funding in CA alone, the amount of HOME funds needed nationally to invest in affordable housing stimulus projects is \$10 billion for 2009.
2. \$5 billion for public housing preservation and revitalization jobs.

B. Equity Market Liquidity Improvement Proposals

1. Troubled Asset Recovery Program (TARP) improvements:
 - All financial institutions that receive TARP assistance should be required to purchase Low Income Housing Tax Credits.
 - The Federal Housing Finance Agency should require Fannie Mae and Freddie Mac to resume purchasing Low Income Housing Tax Credits and continue to hold their existing LIHTC portfolio.
 - The Federal Reserve should incentivize member banks to purchase tax credits.
2. Refundable Low Income Housing Tax Credit for investors with an exemption of the refund from federal taxes.
3. Five-year carry back of tax credits, allowing investors to claim credits in 10 years out of a 15-year period.

C. Debt Market Liquidity Improvement Proposals

1. Expand Community Reinvestment Act (CRA) requirements for investing in rental housing for financial institutions accepting Treasury investments.
2. Standardize fees and programs for Fannie Mae and Freddie Mac guarantees.
3. Expand the use of Federal Home Loan Bank (FHLB) letters of credit (LOC).

D. Low Income Renter Protections / Homeless Prevention Proposals

1. \$200 million in HOME funding to local governments for assisting low-income renters evicted from foreclosed homes and to prevent and address homelessness.
2. \$500 million in Emergency Public Housing Operating Funding to ensure that PHAs can continue to provide a safety net for lower income households.
3. \$143 million in Emergency Administrative Housing Choice Voucher Fees for PHAs to operate this critical safety net program.
4. Funding for 200,000 Incremental Housing Choice Vouchers to address the documented impact of the mortgage foreclosure crisis on low-income renters.

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E. Mortgage Assistance Proposals

1. A 180-day moratorium on all foreclosures of owner occupied properties is necessary to allow Congress and the new Administration time to provide better tools and incentives so that more loans can be modified, reducing the number of foreclosures.
2. Allow mortgage term renegotiation via bankruptcy until Congress and the new Administration have the time to review and modify existing mortgage programs.
3. Extend the current FHA "high cost limit" which is set to expire December 31st, 2008.
4. A new round of Neighborhood Stabilization Program funding to enable local governments, including Housing Authorities, to purchase foreclosed homes for the preservation of affordable rentals.