

# **Affordable Housing Production**

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## **Comparing the Expenditures of Six U.S. Cities**

**Southern California Association of Non-Profit Housing**

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## **Affordable Housing Production: Comparing the Expenditures of Six U.S. Cities**

This report examines the housing production expenditures of major U.S. and California Cities, including Los Angeles, San Diego, San Jose, New York, Chicago and Phoenix. In total amount and per person, San Jose spends the most on affordable housing production. Los Angeles, second largest city in the nation, spends nearly the least per person.

Affordable Housing Production Expenditure of Major U.S. Cities			
City	Expenditure	Population	Spent per Person
Los Angeles	\$ 159,478,977	3,694,820	\$ 43.16
San Diego	\$ 87,142,948	1,255,700	\$ 69.40
San Jose	\$ 93,517,778	917,971	\$101.87
New York	\$ 599,667,700	8,008,278	\$ 74.88
Chicago	\$ 167,651,431	2,896,016	\$ 57.89
Phoenix	\$ 40,319,850	1,321,045	\$ 30.52

This analysis finds that:

- Cities depend heavily on federal government funds for housing development.
- California cities depend heavily on Redevelopment Agency funds for housing development.
- Cities are using innovative mechanisms, including public-private partnerships to increase funding sources.

### **Los Angeles**

Total Housing Production Funds: \$ 159,409,877

Los Angeles, home to over 3.8 million people and one of the least affordable housing stocks in the nation, established an Affordable Housing Trust Fund in July 2000. Affordable housing development is administered largely by the Los Angeles Housing Department and in part by the Housing Authority of the City of Los Angeles and the Community Redevelopment Agency.

#### **Los Angeles Housing Department**

The Housing Department received a budget of \$30 million for the 2002-03 Fiscal Year. A quarter of that (\$7.5 million) goes to housing production, defined as providing loans to non-profit and for profit

Source	Amount
City Funds	\$ 7,506,969
CDBG	\$ 21,887,835
HOME	\$ 43,178,669
Housing Trust Fund	\$ 42,000,000
HUD	\$ 40,393,000
CRA	\$ 4,512,504
<b>Total Funds</b>	<b>\$ 159,478,977</b>
Sources: LA FY 2002-03 budget, HACLA Agency Plan	

developers and property owners for new construction and rehabilitation of existing homes<sup>1</sup>. LAHD combines this with money received from federal sources including Community Development Block Grant (CDBG) and HOME funds to support housing production<sup>2</sup>.

LAHD also administers the Affordable Housing Trust Fund. Currently at \$42 million this fund is meant to grow to \$100 million of permanent-sourced funds. Currently this money comes from the City's general fund, CDBG fund, CRA set aside savings, LA's Department of Water and Power Public Benefit fund, and LAHD bond fund<sup>3</sup>. Although the funds are not yet permanently codified, the Trust Fund shows the political will to commit public local dollars to solving LA's housing crisis.

**Housing Authority of the City of Los Angeles**

The Housing Authority is a state-chartered public agency that provides the largest stock of affordable housing in the Los Angeles area and is funded by the U.S. Department of Housing & Urban Development. Most of HACLA's money goes to rental assistance and, but the Authority also received \$40.3 million in construction funds for 2002<sup>4</sup>.

**Community Redevelopment Agency**

Pursuant to California law, redevelopment agencies obtain funding through "tax increment financing." The City invests in a pre-approved project area and as the property tax value increases, the Redevelopment Agency reaps a portion of the benefits. Redevelopment Agencies invest those funds in other community projects, putting 20% of the revenue towards housing development affordable to low and moderate income families<sup>5</sup>. In 2002-03, Los Angeles CRA allocated \$4.5 million to support in part 13 projects throughout the city. For 2003-04, the CRA projects to invest \$9.2 million in housing development<sup>6</sup>.

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**San Diego**

Total Housing Production Funds: \$ 87,142,948

The second largest city in California, San Diego, declared a Housing State of Emergency in the fall of 2002. Housing development programs are administered by the San Diego Housing Commission (SDHC), serving as Housing Authority and the Housing Department, and the City Council, serving as the Redevelopment Agency.

San Diego Hsg Commission	\$ 32,142,948
Redevelopment Agency	\$ 55,000,000
Total Housing Funds	\$ 87,142,948

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<sup>1</sup> City of Los Angeles, Budget Summary 2002-03, Housing Department. p.56-57.  
<sup>2</sup> Los Angeles Housing Department. Proposed Consolidated Plan Housing Budget, 2002-03. Exhibit 1.  
<sup>3</sup> City of Los Angeles, City of Los Angeles Proposed Budget, FY 2002-03. p.11-13, 97-99, 271-286.  
<sup>4</sup> U.S. Dept. of HUD. Housing Authority of the City of Los Angeles, Year 2003 Agency Plan. [http://www.hacla.org/public\\_documents/home.htm](http://www.hacla.org/public_documents/home.htm) Oct. 15, 2002. p. 18.  
<sup>5</sup> San Jose Redevelopment Agency, [www.sjredevelopment.org/finance.htm](http://www.sjredevelopment.org/finance.htm)  
<sup>6</sup> Interview from Public Information desk, CRA.

**San Diego Housing Commission**

In 2002 SDHC allocated \$32 million to housing and finance development, seen in Table 3<sup>7</sup>. This \$32 million comes out of the larger SDHC budget of \$139.7 million which is comprised of mostly federal, local and some state funds<sup>8</sup>. San Diego depends largely on federal dollars to support housing construction. Table 4 lists all the funding sources for SDHC which are allocated to a variety of programs, including production.

Rental Housing Production	\$ 16,252,174
Home-ownership	\$ 3,488,581
Rehabilitation	\$ 5,158,962
Occupancy Monitoring	\$ 2,262,869
Special Purpose Housing	\$ 4,980,362
<b>Total Amount</b>	<b>\$ 32,142,948</b>
Source: SDHC FY03 Budget Proposal	

Local Funds	\$ 15,918,562
Rental Rehab	\$ 526,011
Housing Trust Funds	\$ 7,754,736
State	\$ 1,072,817
HUD	\$ 97,239,419
CDBG	\$ 4,170,552
HOME	\$ 12,985,237
Total FY 02 Budget	\$139,667,334
Source: SDHC, FY03 Budget Proposal	

**Redevelopment Agency**

San Diego uses its Redevelopment Agency as a way to create public-private partnerships for funding housing. Revenue from the Redevelopment Agency is invested SDHC, the Centre City Development Corporation (CCDC) and the Southeastern Economic Development Corporation (SEDC), two non-profits incorporated through the city. In February 2003, the Redevelopment Agency (RA) announced a \$55 million Affordable Housing NOFA available through the CCDC and in collaboration with SEDC and SDHC<sup>9</sup>.

**San Jose**

Total Housing Production Funds: \$ 93,517,778

The City of San Jose, population 917,971 is the heart of the second least affordable Metropolitan Area in the country<sup>10</sup>. Housing production and funding in San Jose is administered by the San Jose Housing Department, financed in part by the San Jose Redevelopment Agency<sup>11</sup>.

**San Jose Housing Department**

For 2002-03, the Housing Department receives a budget from the city of \$9.2 million. From this, the department spent \$5.7 million on housing production<sup>12</sup>. In addition to this, the Housing Department manages a total of \$229,406,782 in funding from a variety of sources. The primary funding source is money set aside from property tax

From Housing Dept	\$ 5,760,982
From Redevelopment Agency	\$ 87,756,796
Total to Housing Production	\$ 93,517,778
Source: City of San Jose Housing Dept Budget	

<sup>7</sup> City of San Diego, City of San Diego City of San Diego, City of San Diego FY03 Budget, o FY03 Budget, San Diego Housing Commission, Addendum p.3.16-3.33.

<sup>8</sup> City of San Diego, City of San Diego FY03 Budget, San Diego Housing Commission. Schedule I.

<sup>9</sup> City of San Diego, City of San Diego Affordable Housing NOFA Program, Public Notice. Feb. 2003.

<sup>10</sup> NLIHC. Out of Reach, 2002. <http://www.nlihc.org/oor2002/table2.htm>

<sup>11</sup> Public Housing in San Jose is built and managed by the San Jose/Santa Clara Housing Authority, encompassing an area larger than the city and therefore omitted from this analysis.

<sup>12</sup> City of San Jose, San Jose 2002-03 Adopted Budget, Summary of Transfers, Loans and Contributions. P.III-7 to III-30.

increments by the Redevelopment Agency and deposited into the Low and Moderate Income Housing Fund. Also, the department is funded by HOME funds, CDBG funds, the City's General Fund, and other local and states sources including<sup>13</sup>.

**Redevelopment Agency**

For 2002-03, the Redevelopment Agency has projected investing \$80 million towards housing unit construction<sup>14</sup>. In the next five years, the Agency projects to invest \$259 million in housing development and homebuyer education programs. The Redevelopment Agency invests revenue in housing by transferring funds to the Housing Department and to non-profit organizations. To support that, the Agency put \$7.5 million to support housing production, for a total of \$87,756,796 to enhancing the quality and supply of housing<sup>15</sup>.

**New York**

Total Housing Production Funds: \$ 599,067,700

In 2002 New York City Mayor Bloomberg announced a \$3 billion plan to create and preserve more than 65,000 units over the next five years through public-private partnerships<sup>16</sup>. One goal of this plan is to reduce public dollars spent, by leveraging the assets of the NYC Housing Development Corporation. The City expends on housing through the Housing & Preservation Department, New York City Housing Authority and the Capital Commitments Program.

Housing & Preservation Dept	\$ 229,988,880
Capital Commitments	\$ 369,078,820
Total to Housing Production	\$ 599,067,700

**Housing & Preservation Department (HPD)**

HPD administers most of the new programs created by the Mayor's initiative. For fiscal year 2002-03 New York City allocated \$365.3 million to HPD for operations and programs. A large portion of this money goes to the development and preservation of units, as displayed in Table 7<sup>17</sup>. Most of this budget is supported through federal programs.

Purpose	Allocation	Source	Amount
Development	\$ 126,961,408	City Funds	\$ 62,764,296
Preservation	\$ 103,027,472	Capital Fund Transfer	\$ 15,068,551
Maintenance & Sales	\$ 99,704,947	State	\$ 877,186
Administration	\$ 45,145,496	Federal	\$ 286,584,138

Source: City of New York 2003 budget

**New York City Housing Authority (NYCHA)**

NYCHA manages public housing units. While the majority of their work includes resident services, they also engage in capital projects to preserve existing units and construction of

<sup>13</sup> City of San Jose, City Budget FY 2002, Housing Department, p. P. 271-273, 319-340.

<sup>14</sup> City of San Jose, The Redevelopment Agency, Adopted 2002-03 Capital Budget, p.A-47-49.

<sup>15</sup> City of San Jose, City Budget FY 2002, Redevelopment Agency, p. 561-566.

<sup>16</sup> www.nyc.gov/html/hpd/html/for-developers/new-markets-for-housing.html

<sup>17</sup> City of New York 2003 budget, Housing Preservation and Development Department, p. 294E

new units. For the 2003 fiscal year, NYCHA received \$1,648,000 from the Capital Commitments Program for maintaining and rehabilitating units, as seen in Table 8. Also, under the Mayor's new initiative NYCHA has entered into collaboration with HPD to rehabilitate and develop affordable housing on NYCHA land that is currently vacant or underused<sup>18</sup>.

**Capital Commitments Program**

NYC's has a separate Capital Budget for all city development projects, totaling \$6.2 million for FY 2003, over half of which is funded by local dollars. \$369 million goes to housing construction or rehabilitation as seen in the table above<sup>19</sup>.

Housing Preservation & Development	\$ 367,430,820
Housing Authority capital projects	\$ 1,648,000
Total Capital Commitments to Housing Development	\$ 369,078,820
Source: NYC 2003 Adopted Capital Budget and Capital Program, p. 4C	

**Chicago**

Total Housing Production Funds: \$ 167,651,431

Chicago, population 2.9 million, also uses private investment to supplement public funds spent on housing development. Housing is developed through the Department of Housing, the Low-Income Housing Trust Fund, and the Chicago Housing Authority.

**Department of Housing**

The Department of Housing (DOH) administrates the five year Affordable Housing Plan which supports the construction and preservation of rental and for-sale units as well as homebuyer education programs and policy to improve the process of housing development.

The five year goal is to commit \$1.2 billion in resources to developing 35,000 units of housing, 13,500 of which will be multifamily. In 2002, \$267 million in resources were utilized towards 9,950 units<sup>20</sup>. The majority of this money is used for development and preservation. DOH uses local, state and federal funds for housing production, as listed<sup>21</sup>.

City Land, Fee Waivers, Bonds, Tax Increments	\$ 80,350,853
Low Income Housing Trust Fund	\$ 2,296,153
Rental Rehab	\$ 3,446,000
State Donations Tax Credit	\$ 9,540,000
HOME	\$ 26,997,000
CDBG	\$ 9,550,000
LIHTC	\$ 45,021,425
Total	\$167,651,431
Source: Description of funds, DOH, 2002.	

**Low Income Housing Trust Fund**

Since its inception in 1989, the Trust Fund has dedicated over \$65,000,000 and served almost 15,000 households. While most of this money goes to rental subsidy and tenant services, in 2002, \$2.3 million was allocated to building low income units through the Affordable Rents

<sup>18</sup> [www.nyc.gov/html/hpd/pdf/cnmah-collaboration.pdf](http://www.nyc.gov/html/hpd/pdf/cnmah-collaboration.pdf)

<sup>19</sup> City of New York 2003 Adopted Capital Budget and Capital Program, p. 4C

<sup>20</sup> City of Chicago Department of Housing, Affordable Housing Plan Quarterly Update, December 2002.

<sup>21</sup> City of Chicago, Department of Housing, Description of funds, 2002.

for Chicago Program<sup>22</sup>. The Trust Fund is an incorporated non-profit organization that includes private and public funding.

**Chicago Housing Authority**

Historically, CHA is one of the largest developers and managers of public housing in the country. Currently they are relocating families and reconstructing units because of the mass clearing of dilapidated units. This 10-year, \$1.5 billion dollar Plan for Transformation is the largest public housing overhaul in this nation’s history. By the end of 2003, the CHA will be halfway toward its goal of 25,000 new or rehabilitated units<sup>23</sup>.

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**Phoenix**

Total Housing Production Funds: \$ 40,319,850

Phoenix, rapidly growing to 1.32 million, finances and develops housing through its Housing Department and its Capital Improvement Plan. Some development programs in Phoenix serve the entire county rather than just the city, making it difficult to differentiate city spending.

**Housing Department**

The Housing Department, receiving \$70.2 million from the total City budget, oversees the development, maintenance and services of public housing and low-income affordable housing<sup>24</sup>. The Department allocates \$1.5 million to the Housing Development Section for operating expenses some programming. Housing production is funded through local and federal dollars as seen in Table 10.

Source	Amount
CDBG	\$ 900,000
HOME	\$ 5,150,700
HOPWA	\$ 569,150
City Bond	\$ 33,700,000
Total	\$ 40,319,850
Source: City of Phoenix, 2002-03 Budget	

**Phoenix Industrial Development Authority**

Additionally, the Housing Development Section assists in staffing the Phoenix Industrial Development Authority (PIDA), by reviewing and administering applications for funding submitted and approved by PIDA for a variety of housing programs. PIDA is an example of a successful public-private partnership to fund housing development. It is a non-profit corporation designated a political subdivision of the State of Arizona. The City appoints its Board but much of its funds are private.

**Capital Improvement Plan**

Additionally, the City of Phoenix is implementing a 4 year Capital Improvement Plan beginning in 2002, in which housing is included as an area of infrastructure improvement. This Plan, approved by the voters, allocates \$62.9 million for housing programs that provide for the purchase and modernization of housing units for low-income families<sup>25</sup>. In 2002-03, \$18.3 million in CIP funds are allocated to housing improvements. These programs are also funded by CDBG money.

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<sup>22</sup> www.ci.chi.il.us/Mayor/2002Press/news\_press\_lowincomehousing.html  
<sup>23</sup> www.thecha.org/PlanforTran/dwnld\_docs/Plan%20for%20Transformation%20Brochure.pdf  
<sup>24</sup> City of Phoenix. City of Phoenix Housing Department 2002-03 Operating Budget, p 236-243.  
<sup>25</sup> City of Phoenix. City of Phoenix 2002-03 Budget Summary. Capital Improvements Budget p 143-160.

## Conclusion

This analysis of six major city budgets finds the following conclusions in regards to expenditures on affordable housing production:

- **Cities depend heavily on federal government funds for housing production.** Each city uses a large portion of CDBG and HOME funds to subsidize production. For many cities, the federal share is many larger than their local contribution. Furthermore, maintaining and improving public housing units is funded through HUD monies. Considering the large impact federal funds have on city housing expenditure, cities should be aware of the federal budget process which looks to further cut housing funds.
- **California cities utilize relatively large amounts of Redevelopment funds for housing development.** Los Angeles, San Diego and San Jose all use funds transferred from Redevelopment Agencies. This process has come under scrutiny because housing departments do not expend money quickly enough. Recently, California Governor Davis used this reasoning to try to shift cities' redevelopment funds to balance the state budget. This analysis shows, however, the need for these funds to remain at the local level for affordable housing development.
- **Cities are beginning to use innovative mechanisms, including public-private partnerships to increase funding sources.** In light of budget shortfalls at the local, state and federal level, cities are turning to private investment for affordable housing. The Low Income Housing Tax Credit has long been a popular funding source, and some cities are repeating that model on a municipal level and incorporating non-profit organizations directly in housing development plans. Leveraging local funds with private funds is leading cities through these tight budget times and ensuring continued housing production.

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