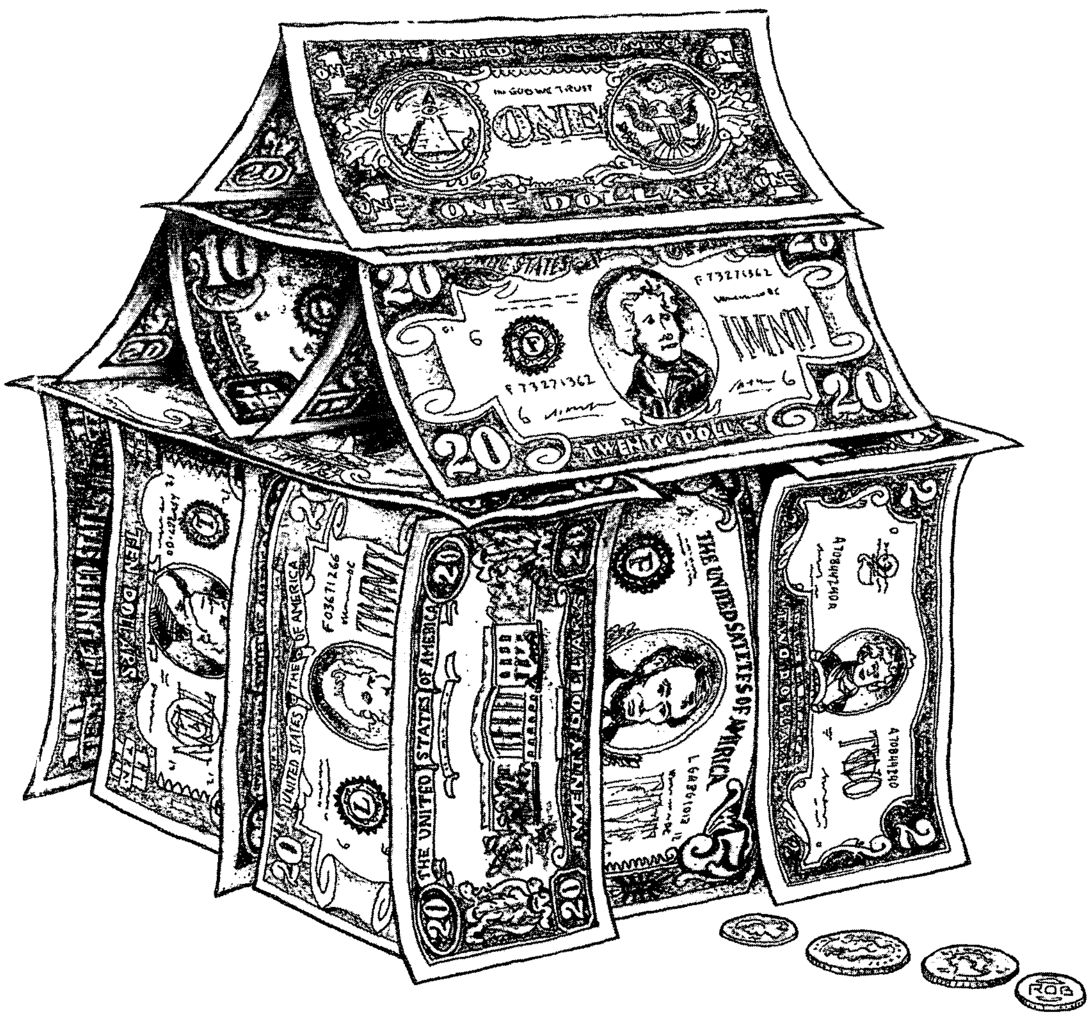


CALIFORNIA HOUSING FINANCE AGENCY

Housing for the poor?

By Lisa Winstead

At a time when many Californians are homeless and even more can't find affordable housing, many state lawmakers and advocates for the poor are critical of the California Housing Finance Agency's (CHFA) efforts to meet that need.

The CHFA was created by the state Legislature in 1975 to help low- and middle-income Californians rent or buy housing. It does this by issuing tax-exempt revenue bonds which, when sold, create a pool of money for developers and prospective home buyers. The agency itself does not lend money directly, but provides financing through private lending institutions such as banks, savings and loans, and mortgage companies. The agency also administers federal rent subsidies to low-income tenants from the federal Department of Housing and Urban Development (HUD).

According to its critics, the CHFA has concentrated on loaning money to middle-income home buyers to the exclusion of those who would provide housing for low-income apartment dwellers. Agency officials concede the point but blame the federal government, which they say has cut back funding for low-income housing programs and done away with tax incentives to developers who build rental housing.

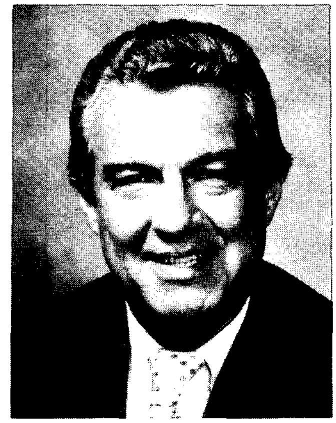
Meanwhile, the Legislature has stepped into the picture by creating yet another pool of money from the sale of general obligation bonds, with a large chunk of those funds dedicated to creating low-income housing. This money is admin-

Lisa Winstead is a California Journal *intern.*

istered by the state Department of Housing and Community Development (HCD).

Thus, the state is trying to attack the housing shortage with two different kinds of bonds issued by two separate agencies. The CHFA issues revenue bonds paid back with money generated by such things as developer fees. The HCD issues general-obligation bonds paid back by taxpayers through the state general fund.

The Housing Finance Agency was originally created to finance the construction of rental units and the purchase of homes for low- and middle-income Californians. In recent years, however, the agency's emphasis has changed from creating apartments, used predominantly by those on the low end of the income scale, to lending money for the construction and purchase of homes by middle-income buyers. For example, in 1987 the agency lent money for 4519 homes and 813 apartment units, compared with 1358 homes and 2987 apartment units in 1983. It is this shift of emphasis that has drawn fire from critics who represent the poor.


Hodge

Marc Brown, an attorney and housing advocate for the poor, said the agency is more concerned about its bond ratings than its social responsibility to provide housing to those with very low incomes.

Karney Hodge, CHFA executive director, agrees that his agency is concerned with its bond rating, but says an AAA rating makes it possible to provide more housing at a lower price.

Agency officials blame the federal government for their dilemma. According to Hodge, the agency has been hampered by changing federal regulations and tax laws and has trouble finding developers willing to build housing for the poor. CHFA officials say the Reagan administration cut back on subsidies to developers and claim that those subsidies helped defer the cost of rent for tenants. According to a congressional report on housing, the administration cut housing assistance funds by 60 percent between 1981 and 1985, from $32 billion to $10 billion, "the biggest reduction in any single program."

Housing advocate Marc Brown concedes that the feder- been hurt by the 1986 Federal Tax Reform which reduced by 30 percent per year the number of tax-exempt bonds available to be issued by the state. This means, they say, that less money is available to loan out for apartments or homes. In addition, the tax reform eliminated various other tax incentives for developers.

"Tax incentives are not there as they once were for builders," said Hodge, referring to decreased allowances in building depreciation tax write-offs.

Housing Advocate Marc Brown concedes that the federal tax law has reduced federal tax incentives for developers of rental units, "but rather than withdraw from the market, the CHFA should have tapped its own reserves to help promote rental housing development." According to Brown, the agency has a surplus of money accumulated before the 1986 Federal Tax Reform, which prohibited housing agencies from keeping large sums of money for more than three years.

Agency officials say they do not have such a surplus, a position backed by the Legislative Analyst. According to Mac Taylor of the Analyst's office, what looked like a surplus was actually "monies which were in some way there to meet an indenture provision."

The housing problem will not soon go away. Many rental units now dedicated for low-income housing throughout the state were built with HUD subsidies. According to the terms of those subsidies, the rentals had to remain low-rent for up to 20 years but could then be leased at market rates. "In many instances, that 20 years is up," said Hodge.

The Legislature, concerned about the growing shortage of affordable housing and rental units, decided to create more money for housing and not rely on the federal government or its subsidies. To this end, lawmakers placed a bond measure (Proposition 77) on the June 1988 ballot, as well as similar bond measures on the ballot in November 1988 and November 1990. Proposition 77 passed in June. All three bond measures authorize the sale of general obligation bonds to fill in the gap left by federal cutbacks. These bonds total $600 million: $150 in Proposition 77, and the balance in November 1988 and 1990. Those bonds, however, are not to be issued by the CHFA, which may only deal with revenue bonds.

The CHFA issues revenue bonds which are sold on the open market to investors. This creates a pool of money to be loaned for construction. The agency also sets the rate at which that money can be loaned, ranging from .5 to 3 percentage points below the conventional loan rate offered by commercial lending institutions. Many of the same institutions — qualified banks, savings and loans, mortgage companies — also handle CHFA loans, providing the money to borrowers at

Year-by-year with the CHFA

CALENDAR YEAR	MULTI-FAMILY UNITS	SINGLE-FAMILY LOANS	REHAB. UNITS
1977	0	1934	0
1978	673	3084	0
1979	1205	3048	0
1980	1728	2365	0
1981	1945	225	0
1982	1023	8	0
1983	2987	1358	0
1984	1229	5148	0
1985	1094	3024	237
1986	1002	1243	649
1987	813	4519	717

a lower rate. The savings are then passed on to builders and home buyers. In the case of rental units, the savings are supposedly passed on to tenants.

Since 1975 the agency has issued $3,632,807,308 worth of bonds, with $2,571,705,331 yet to be issued. This so far has resulted in 13,772 rental units, 26,403 homes, and 1603 rehabilitated units.

But this effort, say critics, has not benefited the poor. Says Marc Brown, "They [the CHFA] have tied their own hands behind their backs and have refused to address significant segments of the population." Brown complains that the agency has focused on single-family homes for upper-middle and middle-income home buyers who do not need state assistance, while low-income households have been neglected.

Authority officials agree their emphasis lately has been on more middle-income housing, but they can they can do little to change that.

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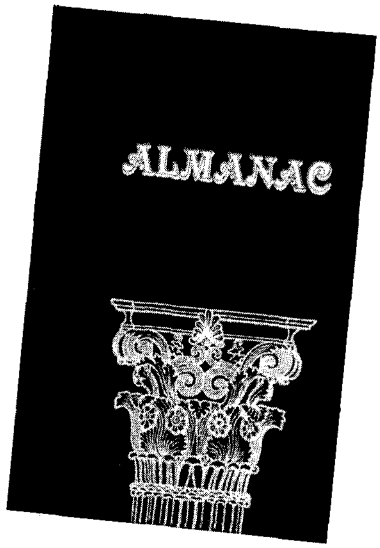

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WASHINGTON PERSPECTIVE

By LARRY LIEBERT

Washington

In 1974, with the corruption of Watergate devastating the Republicans, voters a continent apart elected two Democratic governors with a lot in common.

BOTH WERE BRIGHT, brash and young. Both were contemptuous of old ways and politics as usual. Both made a fetish of frugality, as the governor in California chose a simple Plymouth over a limousine and the one in Massachusetts rode the trolley to work.

Of course, there were differences. California's Jerry Brown had a restless curiosity and an interest in unconventional ideas and people that was soon characterized as flaky. Massachusetts' Mike Dukakis was so conventional a personality, so buttoned-down bland, that his worst image was one of arrogance.

Both would run for president, although at different times and with far different results.

Brown made an audacious entry into presidential politics in 1976, competing in the late Democratic primaries. He was easily re-elected governor in 1978, ran for president again in 1980, then was defeated for the U.S. Senate by Pete Wilson in 1982. Brown has been out of work politically ever since.

By contrast, of course, Dukakis waited a long time to enter presidential politics. It was worth the wait for the son of Greek immigrants who is claiming his party's nomination in Atlanta.

For Dukakis, the key to his later success may have been his very public humiliation in 1978. The same year Brown coasted to reelection, Dukakis was tossed out of office by the voters of his state.

Inheriting a deficit when he came into office, Dukakis first alienated liberals by cutting social programs and then everybody else by breaking his campaign pledge not to raise taxes. His smugness and arrogance alienated legislators, special interests and, eventually, voters.

"He didn't always listen as well as he should have," recalled Dukakis' wife Kitty.

Dukakis was stunned when he was defeated in his own party's primary by conservative Democrat Ed King. Kitty Dukakis has called her husband's defeat a "public death."

"It was just such a painful period for him," she said. "It was a public humiliation. Michael felt he had done the damage to himself. He did not look for scapegoats."

Instead, Dukakis lined up a teaching job at Harvard's Kennedy School of Government and systematically reshaped his way of dealing with people and problems. He developed a less-confrontational style of governing by consensus and compromise.

"One of the things that came from that was a stronger, tougher leader in the best sense — one who builds coalitions and listens to people," said his wife.

Having sentenced Dukakis to political purgatory, the voters of Massachusetts were willing to take him back after he had served his time. Dukakis won a rematch against King in 1982 and was resoundingly reelected in 1986, as he geared up his presidential campaign.

Unquestionably, the remodeled Dukakis — known in his state as "Dukakis II" — has been a popular and successful governor, although there are still critics. Some liberals say Dukakis is now so wary of conflict or controversy that he hides behind bland compromise politics they call "consensomania."

"He needs to make up his mind sometimes about which side he's on," said Sanford Lewis, an environmental lawyer who believes Dukakis engineered a weak public-disclosure law on toxic waste for fear of offending high-tech industry. "Dukakis has not been a leader on hazardous waste. Instead, he waits and responds to pressure."

Others say Dukakis is as arrogant and ambitious as ever, that his humble and conciliatory new image is purely cosmetic.

"He wants to win. That's all it's about," said Beryl Cohen, an old friend who felt betrayed back in 1970 when Dukakis jumped into a race against Cohen for lieutenant governor. "His primary task has been to play it safe and offend as few people as possible."

Dukakis has instituted widely praised programs to reform welfare, crack down on tax cheats, encourage high-tech development and, this year, to guarantee health insurance for every resident of his state.

Most of all, Dukakis II has become known as the steward of his state's finances and economic growth, the pro-business governor who boasts of his role in the "Massachusetts Miracle."

It's ironic. Instead of looking like Jerry Brown, these days Dukakis looks more like California's current Republican governor, George Deukmejian. Both have cultivated reputations as bland but reliable managers of their state economies.

That reputation also has its pitfalls. A governor who takes credit when his state's economy is booming can't avoid blame when there is trouble, even though both the successes and failures may have much more to do with forces in the national and even international economy.

THIS YEAR, DEMOCRAT DUKAKIS AND Republican Deukmejian have both been struggling against embarrassing state revenue shortages that tarnish their reputations as fiscal wizards. Their shared difficulties create a ticklish problem for Republican presidential candidate George Bush, who is eager to capitalize on Dukakis' fiscal setback without making fun of his friend Deukmejian.

Struggling to make a distinction, Bush recently came up with this: "Governor Deukmejian isn't going across this country talking about the California Miracle. He's a sound, sensible governor. He's not one to say there is never any deficit problem. He's not one that says you wave a magic wand and everything is perfect in his state, although he's done a superb job."

Larry Liebert is the Washington bureau chief for the San Francisco Chronicle.