



Financing Community Resilience

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Proposition 13 - 1978

- Officially named the People's Initiative to Limit Property Taxation
 - Reduces property tax rates on homes, businesses and farms
 - Prior, some properties were reassessed 50% to 100% in just one year, thus increasing the owner's property tax accordingly
 - Amended the state constitution
 - Protected real estate owners from sharp increases in property tax bills
- Consequences
 - Californians is still one of the highest taxed in the nation
 - Low property taxes have been offset by higher sales, gas and income taxes
 - Minimal incentive for local governments to build new residential developments, preferring commercial or industrial, thus creating a shortage of housing
 - There is a disincentive for homeowners to move thus creating a shortage of homes for sale because of low home ownership turnover
 - Revenues for schools and other public benefits have been reduced – thus hurting low and moderate income families most
 - A fix is to eliminate Proposition 13 for Commercial parcels – but this will then hurt small businesses

Dissolution of Community Redevelopment Agencies - 2012

- Dissolution
 - Transferred redevelopment agency assets, powers and responsibilities to “successor agencies”
 - Honor “enforceable obligations” of former redevelopment agencies via “successor agencies”
 - Successor agencies are responsible of timely payment of enforceable obligations
 - Part of the 2011 Budget Act, done to protect funding for core public services at the local level
 - Eliminated over 400 Redevelopment agencies in the state
 - After paying for enforceable obligations, any amounts are allocated to cities, counties, special districts and school/community college districts
- Consequences
 - Reduced needed programs for commercial corridors, such as façade improvements for small businesses, site remediation of blighted parcels, economic development and affordable housing
 - Redevelopment agencies were required to spend 20% of the tax increment income on housing for low and moderate income residents
 - Estimated That the Low and Moderate Income Housing Fund to be used for affordable housing collectively amounted to \$1 billion per year by 2010
 - Since RDAs were an important source of soft dollars for affordable housing, developers have to look for a greater number of sources to make affordable housing pencil and have changed to unit mix to ‘chase’ resources that are available

Economic Crisis of 2008

- Started in 2006
 - Started with a crisis in subprime mortgages and irresponsible lending that developed into a full-blown international banking crisis – which then became the Great Recession
 - After the meltdown in September 2008, the economy went from losing 170,000 jobs a month, to 700,000 jobs the last two months of the year
 - Unemployment rate climbed quickly to 10% by October 2009, not counting discouraged workers
 - Housing prices fell by 31.8%, more than the price plunge during the Depression of 1929
 - By the end of 2008, economic growth posted the biggest drop in 50 years
- Consequences
 - Created one of the worst credit crunches in history...lending almost came to a halt
 - Many homeowners decided to walk, because of underwater mortgages
 - Small business closed and we saw a rise in vacancies in commercial corridors
 - Prompted cutbacks at many companies, many lost their jobs
 - While mortgage lending has recuperated, lending for small businesses has not

Wealth Gap

- Equity in the home is the greatest source of wealth for middle income households
 - Because of the great recession, the typical family lost 40% of their wealth between 2007 and 2013.
 - In three years, the equity held by homeowners was cut in half
 - Jobs are back, but the workforce is smaller.
 - Share of Americans who are working or want to work had decreased from 67.3% in 2000 to 62.5% in 2015 – more discouraged workers
 - Net worth is stratified by race - Black households hold one-tenth the assets of white households
- Consequences
 - Wages have been stagnant for over 10 years, after inflation – even if hiring has picked up, paychecks remain depressed
 - Home prices are rising, but fewer people can afford to buy – stagnant wages
 - The wealth created by stocks benefits a few – the more affluent
 - The wealth created by stocks vs home equity is a large contributor to the wealth gap that exists
 - Depressed home values from the crisis enabled a lot of investors to purchase homes and commercial businesses - owners that do not live or shop or interact in the community

Questions

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