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Monday, December 5, 2005

Taxpayers get billed for affordable housing

Second of three parts

By LEROY STANDISH

Staff Writer

ADELANTO — The construction of the city's first government subsidized low-income apartments was accomplished through a questionable land sale and millions in taxpayer dollars.

The \$12.6 million Desert Gardens apartments, at Lee Avenue and Bellflower Street, were built by the Foundation for Affordable Housing V, Inc. The 10-acre site was sold on Nov. 22, 2002 for \$330,000. It was then immediately flipped and sold for \$880,000 to the developer, according to the San Bernardino County Auditor/Controller's Office.

"They made \$500,000 in the very first day," said Hendon Harris, majority owner of Springfield, LLC, which owns and manages several apartment buildings in Adelanto.

The Desert Gardens was then granted nearly \$12 million in federal tax credits. A second low-income project to be constructed by the Foundation for Affordable Housing next year recently won \$16 million in state and federal tax credits. The average cost of building each apartment of the 81-unit buildings is \$156,314 and \$197,530, respectively.

"The fact is that they are ripping off government and it could be built at a lot cheaper price," Harris said.

Taxpayer advocates agree. "The reason we have a lack of affordable housing

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Michael Stenerson / Staff Photographer
Martin Venegas, 42, speaks about his experience living at Desert Gardens apartment complex in Adelanto.

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in Southern California is because of government policies." Jon Coupal, president of the Howard Jarvis Taxpayers' Association, said. "The best thing government can do for affordable housing is get the hell out of the way."

Tax credits are dispersed on a competitive basis by the State Treasurer's Office. "These federal tax credits are for a public purpose outcome," said Mike Roth, spokesman for the Treasurer's Office. "They are to develop quality affordable housing to help low-income families — families that qualify. So we go into these really long-term contracts with these developers to assure they are doing right by these families."

"Anytime you subsidize a particular behavior you get more of it," Steven Frates, senior fellow with the Rose Institute at Claremont McKenna College, said. "Don't blame the developers ... there are financial incentives for developers to build that kind of housing."

Frates said the solution and the problem is in the tax structure. Property tax going to the county and the state discourages cities to pursue home building and encourages retail development that produces sales taxes, which goes primarily to the city.

"Then they come up with these odd schemes to produce more housing," Frates said. "The obvious solution would be to change the tax structure."

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