



SENATOR JIM BEALL, SENATOR MIKE MCGUIRE, AND SENATOR ANTHONY PORTANTINO

SB 795 Building Affordable and Inclusive Communities

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ISSUE

At the time of its dissolution in 2012, Redevelopment Agencies (RDA) were the largest single source of funding for affordable housing and spent over \$1 billion on its construction annually. This lost revenue, in addition to budget cuts at the federal level, created a significant gap in the construction and availability of affordable units.

The aim of this legislation is to thoughtfully tackle the housing crisis by responding to the needs of cities and counties. It will create desperately needed housing opportunities for hard-working Californians and also help alleviate poverty, create jobs, and meet our statewide environmental goals without affecting school funding.

BACKGROUND

California's housing crisis is staggering: 2.2 million extremely low-income and very low-income renter households are competing for only 664,000 affordable rental homes. This leaves more than 1.54 million of California's lowest-income households without access to housing. Furthermore, low-income families are forced to spend more of their income on rent, which leaves little else for other basic necessities. Many renters must postpone or forego homeownership, live in more crowded housing, commute further to work, or, in some cases, choose to live and work elsewhere. This also leaves low-income families more vulnerable to becoming homeless.

Historically, the Community Redevelopment Law (CRL) allowed local government to establish a redevelopment area and capture a portion of the increase in property taxes generated within the area (referred to as "tax increment") over a period of decades. The law required redevelopment agencies to deposit 20% of tax increment into a Low and Moderate Income Housing Fund (L&M fund) to be used to increase, improve, and

preserve the community's supply of low- and moderate-income housing available at an affordable-housing cost.

In 2011, the Legislature enacted legislation to dissolve RDA's in response to the Great Recession and a need to close a massive budget shortfall. The elimination of RDAs returned billions of dollars of property tax revenues to schools, cities, and counties to fund core services.

Since the elimination of RDAs, local governments and lawmakers have searched for ways to raise the capital needed to invest in public works projects including affordable housing.

A number of new laws have brought back some of the tools of RDAs to help combat our growing affordable housing crisis. Most notably is the establishment of Enhanced Infrastructure Finance Districts. These tools have not been widely used by local governments for many reasons including the need for local governments to opt-in and partner on IFDs and a lack of state financial support.

THIS BILL

This bill allows local governments to collaborate on state-approved redevelopment plans, which would be funded by reducing their contributions to local Education Revenue Augmentation Funds (ERAFs). Funding can be used for the following five purposes: (1) affordable housing, (2) transit-oriented development, (3) infill development, (4) revitalizing and restoring neighborhoods, and (5) planning for projects that mitigate the effects of climate change.

The funding mechanism will allow local governments that have opted-in and have an approved project plan to use local property tax. This bill will commit \$2 billion in ongoing state funding (ramping up from \$200 million over 9 years) and will ensure schools are held harmless to meet the Prop 98 guarantee.

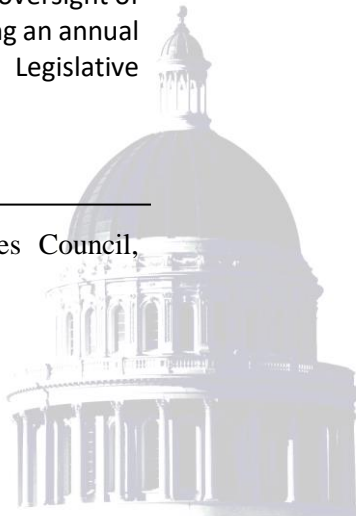
At a minimum, 50% of the program's funding must be used to construct affordable housing. Of the 50% funds for affordable housing, a minimum of 80% must be used for low-income housing (below 80% AMI) and be consistent with the Low Income Housing Tax Credit program. The remaining 20% can be used for moderate-income housing (80% to 120% AMI). Provisions also ensure that housing is, and remains, affordable to renters.

The bill also creates a Sustainable Investment Incentive Committee to review and approve or disapprove proposed projects. The Committee will be comprised of individuals appointed by the Legislature and the Governor.

Each applicant that has received financing pursuant to the program for any fiscal year shall provide a report to the Committee. The Committee will provide oversight of the funds and will be responsible for providing an annual report on program outputs to the Joint Legislative Budget Committee.

SUPPORT

State Building and Construction Trades Council,
ALF-CIO (Sponsor)
City of Bellflower
County of Los Angeles
California State Association of Counties
Mercy Housing
SPUR
Silicon Valley Leadership Group



FOR MORE INFORMATION

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