California State Assembly

JOINT HEARING
ASSEMBLY HOUSING AND COMMUNITY DEVELOPMENT AND LOCAL GOVERNMENT

ASSEMBLY MEMBERS CHIU AND AGUIAR-CURRY
CHAIRS

INFORMATIONAL HEARING
Wednesday, March 14, 2018
1:30 p.m. -- State Capitol, Room 126

A Review and Analysis of Current Community Development Tools

AGENDA

1) **Welcome and Introduction**

- David Chiu, Chair, Assembly Housing and Community Development Committee
- Cecilia M. Aguiar-Curry, Chair, Assembly Local Government Committee

2) **Background on Tax Increment as a Community Development Tool**

- Brian Uhler, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

3) **Analysis of Post-Redevelopment Tax Increment Community Development Tools**

- Dan Carrigg, Deputy Executive Director, League of California Cities
- Erik Caldwell, Economic Development Director, City of San Diego
- Michael Lane, Policy Director, Non-Profit Housing Association of Northern California

4) **Other Perspectives on Tax Increment Community Development Tools**

- Egon Terplan, Regional Planning Director, SPUR, Study: *Harnessing High Speed Rail: How California and its cities can use rail to reshape their growth*
- Trish Kelly, Managing Director, Valley Vision
- Craig Castellanet, Staff Attorney, Public Interest Law Project
- Dorothy Johnson and Chris Lee, Legislative Representatives, California State Association of Counties

5) **Public Comment**

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Background Paper

1. **Hearing Goal.** The goal of this hearing is to review the status of current community development tools for local agencies, specifically tax-increment tools like Enhanced Infrastructure Financing Districts (EIFDs), Community Revitalization and Investment Authorities (CRIAs), Affordable Housing Authorities (AHAs), and Neighborhood Infill and Transit Improvement Act (NIFTIs), all tools that were created after redevelopment agencies (RDAs) were dissolved. Are the tools being used? If so, where and for what types of projects? If not, why? For those communities that have formed a district or an authority, how did that process go, and what problems and successes did the city or county come across?

   To answer these questions, the Committees will examine case studies, and also hear from experts on challenges and opportunities for these existing tools. Committee members will also hear perspectives on how and why rural and urban community development needs are different, and what considerations should be taken into account by the Legislature going forward in the refinement of these and other community development tools.

2. **Background on Tax Increment Tools for Local Agencies.** After the dissolution of redevelopment agencies in 2011, the Legislature worked on the creation of several new tools to help cities and counties finance infrastructure improvements, including the following:

   a) **EIFDs.** SB 628 (Beall), Chapter 785, Statutes of 2014, authorized the legislative body of a city or county to establish an EIFD to capture property tax increment, adopt an infrastructure financing plan, and issue bonds upon approval by 55% of the voters, in order to finance public capital facilities or other specified projects of communitywide significance, including, but not limited to, brownfield restoration and other environmental mitigation, the development of projects on a former military base, transit priority projects, and projects to implement a sustainable communities strategy. SB 628 also allowed other affected taxing entities to participate in the EIFD by contributing their property tax increment revenues to the EIFD, and provided the method for this division and allocation of taxes. Provisions in SB 628 specify that the allocation of tax increment revenues to an EIFD must not be construed to prevent an EIFD from using revenues authorized by other specified statutes, subject to applicable voter approval requirements. Several cities have formed EIFDS: West Sacramento, La Verne, and San Diego.

b) **CRIAs**. AB 2 (Alejo and Garcia), Chapter 319, Statutes of 2015, allowed local government entities, excluding schools, to form a CRIA to collect tax increment and issue debt. The CRIA could use its powers to invest in disadvantaged communities with a high crime rate, high unemployment, and deteriorated and inadequate infrastructure, commercial, and residential buildings. Three of these four conditions would constitute blight. The area where the CRIA could invest would also be required to have an annual median household income that is less than 80% of the statewide annual median income. This is different from redevelopment agencies that were required to conduct a study and make a finding that blight existed in a project area before they could use their powers, like eminent domain, to eradicate blight.

   Like redevelopment agencies, AB 2 allows CRIAs to freeze the property taxes at the time the plan for revitalizing the area is approved. The CRIA will collect all the tax increment or the increase in property taxes that is generated after that point and use it on specified activities. CRIA law requires the taxing entities in the area, including the county, city, special districts, or a military base, to agree to divert tax increment to the CRIA. Local government entities that initially participate can opt out by giving the auditor-controller sixty days' notice; however, the auditor controller will continue to collect the local government entities' portions of tax increment until any debts issued up until then have been repaid. No portion of the local schools' share of tax increment may go to the authority. To date, no cities have formed a CRIA.

c) **AHAs**. AB 1598 (Mullin), Chapter 764, Statutes of 2017, authorizes a city or county to create an AHA, modeled after CRIA law, to fund activities related to the promotion and development of affordable housing. The bill's provisions specify that the AHA can capture property tax increment, or revenues from a local sales and use tax or transactions and use tax, provided that the use of those revenues by the authority is consistent with the purposes for which the tax was imposed. The bill also contains the process for forming the AHA, the governance structure of the AHA, and requires the AHA to adopt an affordable housing investment plan and what that plan must contain, as well as a requirements to comply with the Ralph M. Brown Act, Public Records Act, and the Political Reform Act. To date, no cities have formed an AHA.

d) **NIFTI**. AB 1568 (Bloom), Chapter 764, Statues of 2017, establishes the NIFTI Act, in existing EIFD law, and specifically allows an EIFD to capture sales and use tax or transactions and use tax revenues, should a city or county decide to allocate such revenues to the EIFD. The revenues would be used specifically to fund an area that is an infill site, and the bill requires that 20% of the funds be used for housing purposes. AB 1568 specifies that only an EIFD that is coterminous with the city or county that formed the EIFD can use taxes in this manner. The bill also requires that the legislative body of the city or county that elects to make an allocation of local sales and use tax to establish the procedures that will be used to calculate the revenues, the decision process that that city or county will determine the amount that will be dedicated to the proposed district, and fix a time and place for public hearing on the proposal. To date, no cities have formed at NIFTI.