

Date of Hearing: April 10, 2024

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 1782 (Ta) – As Introduced January 3, 2024

SUBJECT: Redevelopment: successor agencies: Low and Moderate Income Housing Asset Fund.

SUMMARY: Makes changes to how a housing successor to a redevelopment agency (RDA) may expend funds from its Low and Moderate Income Housing Asset Fund (LMIHAF).

Specifically, **this bill:**

- 1) Increases the amount a housing successor may expend from its LMIHAF for homeless prevention and rapid rehousing services for individuals and families who are homeless or would be homeless but for prevention from \$250,000 to \$500,000 per fiscal year.
- 2) Requires the Department of Housing and Community Development (HCD) to annually publish on its internet website an adjustment to the amount that may be expended by a housing successor pursuant to 1) above to reflect any change in the Consumer Price Index for All Urban Consumers published by the federal Department of Labor for the preceding calendar year.
- 3) Specifies that a housing successor that receives up to \$1 million per fiscal year may, as host jurisdiction, spend a maximum of \$1 million per fiscal year from its LMIHAF for a specific project developing transit priority projects, permanent supportive housing, housing for agricultural employees, special needs housing, or for a regional homeless shelter identified in an agreement between or among jurisdictions.
- 4) Makes other conforming and technical amendments.

EXISTING LAW:

- 1) Provides that any funds transferred to a housing successor, together with any funds generated from housing assets, as defined, shall be maintained in a separate LMIHAF which is hereby created in the accounts of the housing successor. [Health and Safety Code (HSC) § 34176]
- 2) Specifies how a housing successor to a RDA may expend funds in the LMIHAF. (HSC § 34176.1)
- 3) Authorizes two or more housing successors within a county, within a single metropolitan statistical area, within 15 miles of each other, or that are contiguous jurisdictions to enter into an agreement to transfer funds from their respective LMIHAFs to develop transit priority projects, permanent supportive housing, housing for agricultural employees, special needs housing, or for a regional homeless shelter, if all of the following conditions are met (HSC § 34176.1):
 - a) Each participating housing successor has made a finding based on substantial evidence, after a public hearing, that the agreement to transfer funds will not cause or exacerbate racial, ethnic, or economic segregation.

- b) The development shall not be located in a census tract where more than 50% of its population is very low-income, unless the development is within one-half mile of a major transit stop or high quality transit corridor.
- c) The completed development shall not result in a reduction in the number of housing units or a reduction in the affordability of housing units on the site where the development is built.
- d) A transferring housing successor must not have any outstanding obligations, as defined.
- e) No housing successor may transfer more than \$1 million per fiscal year.
- f) The jurisdictions of the transferring and receiving housing successors each have an adopted housing element that HCD has found to be in substantial compliance and have submitted to the HCD the required annual progress report.
- g) Transferred funds shall only assist rental units affordable to, and occupied by, households earning 60% or less of the area median income.
- h) Transferred funds not encumbered within two years shall be transferred to HCD for expenditure to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.

FISCAL EFFECT: This bill is keyed fiscal.

COMMENTS:

- 1) **Redevelopment.** Article XVI, Section 16 of the California Constitution authorizes the Legislature to provide for the formation of RDAs to eliminate blight in an area by means of a self-financing schedule that pays for the redevelopment project with tax increment derived from any increase in the assessed value of property within the redevelopment project area (or tax increment). Generally, property tax increment financing involves a local government forming a tax increment financing district to issue bonds and use the bond proceeds to pay project costs within the boundaries of a specified project area. To repay the bonds, the district captures increased property tax revenues that are generated when projects financed by the bonds increase assessed property values within the project area.

To calculate the increased property tax revenues captured by the district, the amount of property tax revenues received by any local government participating in the district is “frozen” at the amount it received from property within a project area prior to the project area’s formation. In future years, as the project area’s assessed valuation grows above the frozen base, the resulting additional property tax revenues — the so-called property tax “increment” revenues — flow to the tax increment financing district instead of other local governments. After the bonds have been fully repaid using the incremental property tax revenues, the district is dissolved, ending the diversion of tax increment revenues from participating local governments.

Prior to Proposition 13, very few RDAs existed; however, after its passage, RDAs became a source of funding for a variety of local infrastructure activities. At the time RDAs were dissolved, the Controller estimated that statewide, RDAs were obligated to spend \$1 billion

on affordable housing. At the time of dissolution, over 400 RDAs statewide were diverting 12% of property taxes, over \$5.6 billion yearly.

In 2011, facing a severe budget shortfall, the Governor proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Ultimately, the Legislature approved and the Governor signed two measures, ABX1 26 (Blumenfield), Chapter 5 and ABX1 27 (Blumenfield), Chapter 6 that together dissolved RDAs as they existed at the time and created a voluntary redevelopment program on a smaller scale. In response, the California Redevelopment Association (CRA) and the League of California Cities, along with other parties, filed suit challenging the two measures. The Supreme Court denied the petition for peremptory writ of mandate with respect to ABX1 26. However, the Court did grant CRA's petition with respect to ABX1 27. As a result, all RDAs were required to dissolve as of February 1, 2012.

- 2) **Housing Successors.** RDAs were required to dedicate 20% of the tax increment to be used to increase, improve, and preserve the community's supply of low- and moderate-income housing available at an affordable housing cost. When RDAs were dissolved, successor agencies were established to wind down the RDAs' obligations. Successor agencies were required to effectuate the transfer of an RDA's housing functions and assets to a "housing successor." Cities and counties were given the option of acting as housing successors and taking over the housing assets of their jurisdiction's RDA. If they did not wish to take on this role, the local housing authority was required to act as housing successor. If there was no local housing authority, HCD was required to act as housing successor.

Housing successors are required to maintain any funds generated from housing assets in the LMIHAF and use them in accordance with the housing related provisions of the Community Redevelopment Law (CRL). The LMIHAF includes real property and other physical assets, funds encumbered for enforceable obligations, any loan or grant receivable, any funds revised from rents or operation of properties, rents or other payments from housing tenants or operators, and repayment of loans or deferrals owed to the LMIHAF. Funding available to a housing successor in the post-redevelopment world is limited to program dollars repaid from loans or investments made by the former RDA. This is a much smaller amount than was generated by RDAs, which produced more than \$1 billion in tax increment for housing activities statewide each year.

- 3) **SB 341 (DeSaulnier) and AB 346 (Daly).** SB 341 (DeSaulnier), Chapter 796, Statutes of 2014, revised the rules governing the activities and expenditures of housing successors. RDAs were required to expend funds to improve, increase, or preserve housing affordable to low- and moderate-income families. Housing successors have far less money than RDAs, so the law generally requires them to prioritize that limited funding toward monitoring and maintaining the housing assets that were created or financed by the former RDA.

SB 341 allowed, among other provisions, housing successors to spend up to \$250,000 in LMIHAF funds toward homelessness prevention and rapid re-housing. SB 341 also allowed housing successors to transfer funds among themselves under certain conditions for the purpose of developing affordable units in transit priority projects, permanent supportive housing, farmworker housing, or special needs housing. AB 346 (Daly), Chapter 35, Statutes of 2017, expanded the types of activities housing successors can spend LMIHAF funds on by

adding regional homeless shelters.

- 4) **Bill Summary and Author's Statement.** This bill increases the amount that a housing successor can spend on homeless prevention and rapid rehousing from \$200,000 to \$500,000 in recognition of the need for additional funding to support homeless prevention activities. Additionally, this bill specifies that a housing successor that receives up to \$1 million per fiscal year, as host jurisdiction, may spend a maximum of \$1 million per fiscal year from its LMIHAF for specific projects identified in an agreement between or among jurisdictions. The City of Fountain Valley is the sponsor of this bill.

According to the author, "AB 1782 is a noncontroversial bill that updates an untouched section of law to ensure cities can spend the resources they already have to combat the homeless crisis in this state. This critical legislation opens up additional funds for the construction of regional homeless shelters and ensures fund limits are reflective of increased costs since this code section was written in 2012. The bill will also enable local municipalities to be able to meet environmental and low-income housing goals."

- 5) **Arguments in Support.** According to the City of Fountain Valley, sponsor of this bill, "Historically, programs to assist the unhoused were funded through the federal and state governments. Within the past few years, this burden has shifted to County and City governments, who have had to hire staff, build facilities and offer services to assist the unhoused.

"Fountain Valley, for example, is spending over \$400,000 per year for outreach efforts alone to assist the unhoused. We are also partnering with the Cities of Garden Grove and Westminster and the County of Orange to construct a navigation center, which will result in the availability of 100 beds. Once operational, the estimated cost to operate the center will be over \$48 million for the first ten years alone.

"While cities have accepted this financial burden, AB 1782 will allow cities such as Fountain Valley to utilize an increased amount of their Low and Moderate Income Housing Asset Fund (LMIHAF) on homelessness prevention and rapid rehousing services. The current amount of \$250,000 was set in 2012. The proposed amount of \$500,000, with annual CPI adjustments, is more reflective of the present day costs of providing these services.

"Health and Safety Code Section 34176.1 currently allows housing successors to transfer up to one million dollars from the LMIHAF to another housing successor for the development of a regional homeless shelter. AB 1782 will amend the code to allow the receiving housing successor to contribute up to one million annually from their LMIHAF also, thus allowing all partner cities the same opportunity to use the LMIHAF funds for a regional homeless shelter."

- 6) **Arguments in Opposition.** None on file.
- 7) **Double-Referral.** This bill was heard in the Assembly Housing and Community Development Committee on March 20th and passed with a vote of 9-0.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Fountain Valley [SPONSOR]

City of Garden Grove

City of Rocklin

League of California Cities

Opposition

None on file

Analysis Prepared by: Jimmy MacDonald / L. GOV. / (916) 319-3958