

Date of Hearing: May 4, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

AB 2492 (Alejo) – As Amended April 14, 2016

SUBJECT: Community revitalization.

SUMMARY: Makes a number of changes to the Community Revitalization and Investment Authority program. Specifically, **this bill:**

- 1) Makes a number of changes to the Community Revitalization and Investment Authority (CRIA) program, including the following:
 - a) Allows a CRIA to use a combination of both the United States (US) Census Bureau census tract and census block groups data to identify a project area.
 - b) Allows a CRIA to use, at their discretion, statewide, countywide, or citywide levels of area median income to identify a project area.
 - c) Clarifies the source of unemployment data required to identify a CRIA project area and allows a CRIA to use the unemployment data from the periodic American Community Survey published by the US Census Bureau in addition to the labor market information published by the Employment Development Department (EDD) in March of the year the CRIA plan is prepared.
 - d) Provides that in determining the crime rate of a proposed CRIA project area, that the crime rate is based on the area's average crime rate for violent or property crimes offenses as documented by the records maintained by the law enforcement agency in the jurisdiction, and requires the crime rate to be calculated by taking the local incidents of violent and property crimes or any offenses within those categories for the most recent calendar year for which the Department of Justice maintains data and dividing it by the total population of the proposed plan area and multiplying that amount by 100,000. Provides that if the local crime rate for the proposed plan area exceeds the statewide average rate for either violent or property crime, or any offense within these categories by more than 5%, then the crime rate necessary to qualify as a CRIA project area is considered met.
 - e) Gives a CRIA the same authority as an Enhanced Infrastructure Financing District (EIFD), to receive funds allocated to it, pursuant to a resolution adopted by a city, county, or special district from:
 - i) The increased property tax revenues that the city, county, or special district receives from the dissolution of redevelopment agencies;
 - ii) Property taxes received by a city or county in lieu of former vehicle license fee funds; or,
 - iii) Funds derived from various assessments that may be imposed by special districts.

2) Makes other technical changes.

EXISTING LAW:

- 1) Dissolves redevelopment agencies as of February 1, 2012.
- 2) Allows local governments to form a CRIA in two ways:
 - a) A city, county, or city and county can adopt a resolution creating an authority governed by a five-member board that is appointed by the city, county, or city and county's legislative body. Three-board members must be members of the city, county, or city and county's legislative body and two must be public members who live or work within the community revitalization and investment area; or,
 - b) A city, county, city and county, and special district, in any combination, may create an authority by entering into a joint powers agreement. The authority's governing body must be comprised of a majority of members from the legislative bodies of the public agencies that created the authority. The governing body must include at least two public members who are appointed by a majority of the authority's board and must live or work within the community revitalization and investment area.
- 3) Prohibits school entities and redevelopment successor agencies from participating in a CRIA. Prohibits a city or county that created a former redevelopment agency from forming an authority, unless the former agency's successor agency has received a finding of completion from the Department of Finance (DOF), and complies with other specified conditions.
- 4) Allows a CRIA to carry out a community revitalization and investment plan (plan) within a community revitalization and investment area. Requires that at least 80% of the land calculated by census tracts or census block groups within the area must be characterized by both of the following conditions:
 - a) An annual median household income that is less than 80% of the statewide annual median income; and,
 - b) Three of the following four conditions:
 - i) Nonseasonal unemployment that is at least 3% higher than the statewide median, as defined by a specified labor market report;
 - ii) Crime rates that are 5% higher than the statewide median crime rate, as defined by a specified Department of Justice report;
 - iii) Deteriorated or inadequate infrastructure, such as streets, sidewalks, water supply, sewer treatment or processing, and parks; or,
 - iv) Deteriorated commercial or residential structures.

- 5) Allows a CRIA to carry out a plan within a community revitalization and investment area established within a former military base that is principally characterized by deteriorated or inadequate infrastructure and structures.
- 6) Allows the legislative body or bodies of the local government or governments that created the CRIA to appropriate any amount the legislative body or bodies deem necessary for the administrative expenses and overhead of the CRIA. The money appropriated may be paid to the CRIA as a grant to defray the expenses and overhead, or as a loan to be repaid upon the terms and conditions that the legislative body may provide. If appropriated as a loan, the property owners and residents within the plan area must be made third-party beneficiaries of the repayment of the loan.
- 7) Enumerates a CRIA's powers and allows a CRIA to dedicate funding to specified infrastructure, low- and moderate-income housing, brownfield cleanup, seismic retrofits, property acquisition, construction of specified structures for provision of air rights, and direct assistance to businesses for industrial and manufacturing uses.
- 8) Deems a CRIA to be a local public agency subject to the Ralph M. Brown Act, the Public Records Act, and the Political Reform Act.
- 9) Requires a CRIA to adopt a plan that may include a provision for the receipt of tax increment funds generated within the area, provided the plan includes eight specified elements.
- 10) Specifies the manner in which a CRIA must consider adoption of the plan, including requiring a public hearing, a protest process and, in some cases, voter approval of the plan through a specified election process.
- 11) Directs a CRIA to consider and adopt a plan amendment in accordance with the procedures that applied to the consideration and adoption of the original plan.
- 12) Allows any city, county, or special district that receives ad valorem property taxes from property located within an area to adopt a resolution directing the county auditor-controller to allocate some or all of its share of tax increment funds within the area covered by the plan to the CRIA. A resolution may be repealed by giving the county auditor-controller 60 days' notice. However, the county auditor-controller must continue to allocate the taxing entity's taxes that have been pledged to repay debt issued by the authority until the debt has been fully repaid.
- 13) Requires a CRIA to annually review the plan, prepare an independent financial audit, and adopt an annual report in a public hearing.
- 14) Provides that if a CRIA fails to provide the annual report, the authority shall not spend any funds received pursuant to a resolution, as specified, until the authority has provided the report, except for funds necessary to carry out its specified obligations regarding housing for persons of low- and moderate-income.

- 15) Requires a CRIA to conduct a protest proceeding every 10 years. If between 25% and 50% of residents and property owners file protest, the authority must not initiate any new projects, until an election of property owners and residents is held. If a majority of the electorate votes against the authority, it must not take any further action to implement the plan.
- 16) Requires a CRIA to contract every five years for an independent audit to determine compliance with affordable housing maintenance and replacement requirements, which must be conducted according to guidelines established by the Controller. A CRIA must provide a copy of the completed audit to the Controller.

FISCAL EFFECT: None

COMMENTS:

- 1) **Bill Summary.** This bill makes several changes to AB 2 (Alejo), Chapter 319, Statutes of 2015, which authorizes local governments to create CRIAs to use tax increment revenue to improve the infrastructure, assist businesses, and support affordable housing in disadvantaged communities. The main provisions of the bill: a) Allow a CRIA to use a combination of both the US Census Bureau census tract and census block groups data to identify a project area; b) Allow a CRIA to use, at their discretion, statewide, countywide, or citywide levels of area median income to identify a project area; c) Clarify the source of unemployment data required to identify a CRIA project area; d) Clarify the determination of the crime rate or a proposed CRIA project area; and, e) Give a CRIA the same authority as an EIFD, to receive funds allocated to it, pursuant to a resolution adopted by a city, county, or special district, as specified.

This bill is sponsored by the League of California Cities.

- 2) **Author's Statement.** According to the author, "The passage of AB 2 (Alejo) last year has provided local governments with the critical tools they need to revitalize their communities, combat blight, and reinvest in their citizens in a post-realignment world. AB 2492 will clarify existing issues that have been found in the implementation of that landmark measure."
- 3) **Background and Previous Legislation.** Multiple legislative measures were introduced after the dissolution of redevelopment agencies in an effort to provide local governments options for sustainable community economic development, including the following:

SB 628 (Beall), Chapter 785, Statutes of 2014. Provides local governments with new tax increment financing tools to pay for local economic development by forming an EIFD.

AB 2 (Alejo), Chapter 319, Statutes of 2015. Authorizes local governments to create Community Revitalization and Investment Authorities (authorities) to use tax increment revenue to improve the infrastructure, assist businesses, and support affordable housing in disadvantaged communities.

AB 2280 (Alejo) of 2014. Would have established an authority and given it the same rights, responsibilities and powers as redevelopment agencies. This bill was vetoed by the Governor.

AB 1080 (Alejo) of 2013. Would have established an authority and given it the same rights, responsibilities and powers as redevelopment agencies. This bill was held on suspense in the Senate Appropriations Committee.

SB 1 (Steinberg) of 2013. Would have allowed local governments to establish a Sustainable Communities Investment Authority to finance specified activities within a sustainable communities investment area using tax increment financing. This bill died on the Inactive File on the Senate Floor.

SB 1156 (Steinberg) of 2012). Would have allowed local governments to establish a Sustainable Communities Investment Authority after July 1, 2012, to finance specified activities within a sustainable communities investment area using tax increment financing. This bill was vetoed by the Governor.

- 4) **Arguments in Support.** Supporters argue that these minor changes will help with implementation of the law and will clean up provisions contained in AB 2 (Alejo).
- 5) **Arguments in Opposition.** Opponents argue that the consequence of this legislation is that it will expand the number of communities and neighborhoods in which the government can exercise its power to forcibly seize private property from unwilling sellers.
- 6) **Double-Referral.** This bill was heard by the Housing and Community Development Committee on April 27, 2016, where it passed with a 5-2 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

League of California Cities [SPONSOR]
California Association for Local Economic Development
California Business Properties Association
Cities of Hollister, Thousand Oaks
Hollister Downtown Association

Opposition

California Alliance to Protect Private Property Rights
Howard Jarvis Taxpayers Association

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