

Date of Hearing: April 19, 2023

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Cecilia Aguiar-Curry, Chair

AB 901 (Ting) – As Amended April 11, 2023

SUBJECT: Affordable housing financing districts.

SUMMARY: Authorizes the creation of affordable housing financing districts (districts). Specifically, **this bill:**

1) Defines the following terms:

- a) “Affected taxing entity” to mean any governmental taxing agency which levied or had levied on its behalf a property tax on all or a portion of the property located in the proposed district in the fiscal year or before the designation of the district. An “affected taxing entity” does not include a special district unless the special district adopts a resolution approving the affordable housing financing plan, as specified. “Affected taxing entity” does not include a school district of every class or kind, including, but not limited to, a unified or nonunified school district, that maintains kindergarten and grades 1 to 12, inclusive, community college districts, or county office of education.
- b) “Affected taxing entity equity amount” to mean the amount of ad valorem property tax revenue that the affected taxing entity would have received from property located within the redevelopment project area in the absence of the district, calculated as specified.
- c) “Affordable housing” to mean owner-occupied housing with an affordable housing cost or rental housing with an affordable rent, as defined, to persons or families whose income does not exceed 60% of the area median income, as specified.
- d) “Affordable housing financing district” to mean a legally constituted governmental entity separate and distinct from the city or county that established it for the purpose of financing affordable housing and related infrastructure. A district is subject to the Ralph M. Brown Act’s open meeting laws.
- e) “Agency” to mean the California Housing Finance Agency (CalHFA).
- f) “Debt” to mean any binding obligation to repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals.
- g) “Designated official” to mean the city or county engineer or other appropriate official.
- h) “Fiscal year” to mean a year beginning on July 1 and ending the following June 30.
- i) “Governing board” to mean the legislative body of a city or county that establishes a district.
- j) “Landowner” or “owner of land” to mean any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of the land by the

legislative body. The legislative body has no obligation to obtain information as to the ownership of land, and its determination of ownership shall be final and conclusive for the purposes of this bill. A public agency is not a landowner or owner of land for the purposes of this chapter, unless the public agency owns all of the land to be included in the proposed district.

- k) “Legislative body” to mean the city council of the city or board of supervisors of the county.
 - l) “Project” to mean any undertaking of a district pursuant to this bill.
 - m) “Special district” to mean an agency of the state formed for the performance of governmental or proprietary functions with limited geographical boundaries.
- 2) Authorizes a legislative body of a city or county to propose the establishment of a district. The legislative body of the city or county may institute proceedings for the establishment of a district by adopting a resolution of intention to establish the proposed district. The legislative body shall include all of the following in the resolution of intention:
- a) State that the legislative body proposes the establishment of a district under the terms of this bill and describe the boundaries of the proposed district, as specified.
 - b) State the type of affordable housing projects and related infrastructure proposed to be financed or assisted by the district.
 - c) State the need for the district and the goals the district proposes to achieve.
 - d) State that incremental property tax revenue from the city or county and all affected taxing entities within the district, if approved by specified resolution, may be used to finance these activities.
 - e) Fix a time and place for a public hearing on the proposal.
- 3) Specifies that upon adoption of a resolution of intention, the legislative body shall act as the governing board of the district.
- 4) Provides that a city or county that created a redevelopment agency (RDA) shall neither initiate the creation of the district, nor participate in the governance or financing of a district, until specified conditions are met.
- 5) Authorizes a city or county to establish more than one district within its jurisdictional boundaries, but the city or county shall not merge existing districts or establish a new district that includes any area within boundaries of another district. However, a city or county may establish districts with adjoining boundaries.
- 6) Allows a district to include any portion of a former redevelopment project area that was previously created, provided that the city or county that created the former RDA has met specified requirements.
- 7) Provides that a district may finance only specified facilities to the extent that the facilities are in addition to those provided in the territory of the district before the district was created. The

district shall not finance additional facilities that supplant facilities already available within that territory when the district was created.

- 8) Allows a district to include areas which are not contiguous.
- 9) Requires the legislative body to direct the city or county official, as applicable, selected by the legislative body, to mail a copy of the resolution of intention to create the district to each owner of land within the district.
- 10) Provides that as an alternative to mailing a copy of the resolution of intention pursuant to 9) above, the legislative body may direct the city official or county official, as applicable, selected by the legislative body, to mail a single-page notice of intention to create the district to each owner of land within the district. For purposes of this section, the notice of intention shall indicate the physical location or internet website where documents related to the district, including the resolution of intention, will be made available for public viewing or inspection. The notice of intention shall also state the date of the public hearing on the proposal and include a brief description of the types of public facilities to be financed by the district.
- 11) Requires the legislative body to direct the city official, as applicable, selected by the legislative body, to mail a copy of the resolution to each affected taxing entity.
- 12) Specifies that upon adoption of the resolution of intention to establish the district by the legislative body, the governing board shall designate and direct the city or county engineer or other appropriate official to prepare an affordable housing financing plan.
- 13) Provides that after receipt of a copy of the resolution of intention to establish a district, the designated official shall prepare a proposed affordable housing financing plan. The proposed affordable housing financing plan shall be consistent with the general plan of the city or county within which the district is located and shall include specified information, including a financing section.
- 14) Requires the affordable housing financing plan to be sent to each owner of land within the proposed district and to each affected taxing entity together with any report required by the California Environmental Quality Act (CEQA) that pertains to the proposed affordable housing and related infrastructure projects, and to be made available for public inspection. The report shall also be sent to the governing board, the planning commission, and the legislative body.
- 15) Requires the designated official to consult with each affected taxing entity, and, at the request of any affected taxing entity, shall meet with the representatives of an affected taxing entity. Any affected taxing entity may suggest revisions to the plan.
- 16) Requires the governing board to conduct a public hearing before adopting the proposed affordable housing financing plan. The governing board shall call the public hearing no sooner than 60 days after the plan has been sent to each affected taxing entity. In addition to the notice given to landowners and affected taxing entities, the governing board shall give notice of the public hearing by publication not less than once a week for four successive weeks in a newspaper of general circulation published in the city or county in which the proposed district is located. The notice shall state specified information.

- 17) Provides that at the hour set in the required notices, the governing board shall proceed to hear and pass upon all written and oral objections. The governing board may continue the hearing from time to time. The governing board shall consider recommendations, if any, of affected taxing entities, and all evidence and testimony for and against the adoption of the plan. The governing board may modify the plan.
- 18) Prohibits the governing body from adopting a resolution adopting the affordable housing financing plan providing for the division of taxes of any affected taxing entity unless a resolution approving the plan has been adopted by the governing body of each affected taxing entity that is proposed to be subject to the division of taxes, as specified, has been filed with the governing body at or prior to the time of the hearing.
- 19) Specifies that nothing in 18) above shall be construed to prevent the governing body from amending the affordable housing financing plan without allocation of the tax revenues of any affected taxing entity which has not approved the affordable housing financing plan by resolution of the governing body of the affected taxing entity.
- 20) Provides that at the conclusion of the hearing, the governing board may adopt a resolution adopting the affordable housing financing plan, as modified, and formation of the affordable housing financing district, or it may adopt a resolution abandoning the proceedings. If the proceedings are abandoned, then the governing board shall cease to exist with no further action required of the legislative body and the legislative body shall not enact a resolution of intention to establish a district that includes the same geographic area within one year of the date of the resolution abandoning the proceedings.
- 21) Specifies that the plan shall take effect upon adopting the plan. The plan shall specify how the plan will be funded, as specified.
- 22) Provides that any action or proceeding to attack, review, set aside, void, or annul the creation of a district, adoption of an affordable housing financing plan, including a division of taxes thereunder, shall be commenced within 30 days after the enactment of the resolution creating the district. An action or proceeding with respect to a division of taxes may be brought pursuant to existing validation laws.
- 23) Requires the legislative body of the county or city that establishes the district to serve as the governing board of the district.
- 24) Provides that the board shall not receive compensation, but may receive reimbursement for actual and necessary expenses incurred in the performance of official duties, members of the governing board are subject to ethics training requirements, and the board shall be a local public agency subject to the Ralph M. Brown Act, California Public Records Act and the Political Reform Act of 1974.
- 25) Limits the activities of a district to financing the development of affordable housing and housing-related infrastructure within its territorial boundaries. In connection with the development of affordable housing and related infrastructure, the district may finance the following:
 - a) The purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with an estimated life of 15 years or longer.

- b) The planning and design work that is directly related to the purchase, construction, expansion, or rehabilitation of affordable housing.
 - c) Water, sewer, or other public infrastructure necessary to support the development of affordable housing, and other costs as specified.
 - d) The ongoing or capitalized costs to maintain public capital facilities in whole or in part by the district.
- 26) Provides that a district may not do either of the following in connection with the development of affordable housing and related infrastructure:
- a) Finance services of any kind.
 - b) Use the proceeds of bonds issued to finance the costs of maintenance or ongoing operations of any kind.
- 27) Specifies that the affordable housing and housing-related infrastructure financed by the district are not required to be physically located within the boundaries of the district. However, any affordable housing and housing-related infrastructure financed outside of a district shall have a tangible connection to the work of the district, as detailed in the plan.
- 28) Provides that the district shall require, by recorded covenants or restrictions, that housing units built, as specified, shall remain affordable housing for the longest feasible time, but not less than 55 years for rental units and 45 years for owner-occupied units.
- 29) Specifies that the district may finance mixed-income housing developments, but may finance only those units in such a development that constitute affordable housing, as specified, and those onsite facilities for childcare, after school care, and social services that are integrally linked to the tenants of those affordable housing units.
- 30) Authorizes a district to use powers under specified acts related to hazardous waste mitigation and finance any action necessary to implement those acts, as specified.
- 31) Prohibits a district from incurring debt in the form of bonds secured by specified revenues.
- 32) Authorizes a district to reimburse a developer of a project that is located entirely within the boundaries of that district for any permit expenses incurred and to offset additional expenses incurred by the developer in constructing affordable housing units pursuant to the Transit Priority Project Program, as specified.
- 33) Contains provisions related to the removal or destruction of dwelling units, the requirements the district must follow when dwelling units are removed or destroyed, and the requirements the district must follow related to relocation assistance, as specified.
- 34) Requires the district, no more than six months after the end of the district's fiscal year, to file a report with the governing board and the Department of Housing and Community Development (HCD) containing specified information.
- 35) Provides that a plan may contain a provision that taxes, if any, levied upon taxable property in the area included within the district each year by or for the benefit of the State of

California, or any affected taxing entity after the effective date of the adoption of the resolution to create the district shall be divided as follows:

- a) That portion of the taxes that would be produced by the rate upon which the tax is levied each year by or for each of the affected taxing entities upon the total sum of the assessed value of the taxable property in the district as shown upon the assessment roll used in connection with the taxation of the property by the affected taxing entity, last equalized before the effective date of the resolution to create the district, shall be allocated to, and when collected shall be paid to, the respective affected taxing entities as taxes by or for the affected taxing entities on all other property are paid.
 - b) That portion of the levied taxes each year in excess of the amount specified in a) above, shall be allocated to, and when collected shall be paid into a special fund of, the district for all lawful purposes of the district. Unless and until the total assessed valuation of the taxable property in a district exceeds the total assessed value of the taxable property in the district as shown by the last equalized assessment roll referred to in a) above, all of the taxes levied and collected upon the taxable property in the district shall be paid to the respective affected taxing entities. When the district ceases to exist pursuant to the adopted affordable housing financing plan, all moneys thereafter received from taxes upon the taxable property in the district shall be paid to the respective affected taxing entities as taxes on all other property are paid.
- 36) Notwithstanding subdivision 35) above, where any district boundaries overlap with the boundaries of any former redevelopment project area, any debt or obligation of a district shall be subordinate to any and all enforceable obligations of the former RDA, as approved by the Oversight Board and the Department of Finance (DOF). The division of taxes allocated to the district pursuant to 35) above, shall not include any taxes required to be deposited by the county auditor-controller into the Redevelopment Property Tax Trust Fund (RPTTF), as specified.
- 37) Allows the legislative body of the city or county forming the district to choose to dedicate any portion of its net available revenue to the district through the plan, and defines “net available revenue” for its purposes.
- 38) Requires that portion of any ad valorem property tax revenue annually allocated to a city or county pursuant to existing law related to the Educational Revenue Augmentation Fund (ERAF) that is specified in the adopted plan for the city or county that corresponds to the increase in the assessed valuation of taxable property, to be allocated to, and when collected to be apportioned to, a special fund of the district for all lawful purposes of the district. When the district ceases to exist, these specified revenues shall be allocated to, and when collected, shall be apportioned to, the respective city or county.
- 39) Authorizes a district to utilize revenues from any of the following sources to support its activities provided that the applicable voter approval has been obtained, and the plan has been approved: the Improvement Act of 1911; the Municipal Improvement Act of 1913; the Improvement Bond Act of 1915; the Landscaping and Lighting Act of 1972; the Vehicle Parking District Law of 1943; the Parking District Law of 1951; the Park and Playground Act of 1909; the Mello-Roos Community Facilities Act of 1982; the Benefit Assessment Act of 1982; and, the so-called facilities benefit assessment levied by the charter city of San

Diego or any substantially similar assessment levied for the same purpose by any other charter city pursuant to any ordinance or charter provision.

- 40) Requires the portion of specified taxes to be allocated and paid into a special fund held in trust for the district by the county auditor or officer responsible for the payment of taxes into the funds of the affected taxing entities, as specified.
- 41) Requires, not later than October 1 of each year, for each affordable housing or housing-related infrastructure project for which the plan provides for the division of taxes, the district to file, with the county auditor or other specified officer, a use of tax increment statement and a reconciliation statement. Specifies the information that must be included in each statement. All statements required to be filed shall be certified by the chief financial officer of the district.
- 42) Requires the district to pay all costs incurred by a county in connection with the division of taxes, as specified.
- 43) Authorizes a district to enter into a contract with CalHFA that shall include, at a minimum, the following provisions:
 - a) No later than December 31 of each year for which the contract is in effect, the district will remit the entirety of the amount of specified taxes allocated to it to CalHFA. The contract may provide for either a one-time lump sum or a periodic remission of funds.
 - b) Upon receipt of moneys remitted pursuant to a) above, CalHFA shall transfer the full amount to the custody of the treasurer for deposit in the Affordable Housing Tax Increment Pooling Trust Fund (Trust Fund), as specified.
 - c) The contract is subject to annual renewal, as follows:
 - i) If the governing body adopts a resolution to terminate the contract, CalHFA shall make a final allocation to the district from the Trust Fund, as specified, after which the district shall have no claim to any moneys in the Trust Fund.
 - ii) If the governing body does not take any action by December 31 of any year for which the contract is entered into or renewed, as specified, the contract shall be deemed to be renewed for the following year.
 - d) CalHFA shall issue revenue bonds secured by moneys remitted to the Trust Fund, as specified.
 - e) No later than January 31 of each year following any year in which the contract is in effect, CalHFA shall allocate an amount from the Trust Fund to the district in proportion to the amount of moneys the district remitted that year, as specified.
 - f) Moneys remitted to CalHFA and deposited in the Trust Fund are property of the district that remitted the moneys and are not state moneys.
 - g) Any other provisions consistent with the agreement made between the district and CalHFA.

- 44) Requires the district to expend the moneys allocated to it under a contract entered into with CalHFA, as specified.
- 45) Establishes, in the State Treasury, the Affordable Housing Financing Fund (fund).
- 46) Establishes, in the State Treasury, the Trust Fund. Moneys in the Trust Fund are hereby continuously appropriated to CalHFA for allocation to districts, as specified. Provides the requirements for the allocation of moneys, the issuance and sale of revenue bonds by CalHFA, and other specified requirements on CalHFA and the Treasurer.
- 47) Provides that any action or proceeding challenging the validity of revenue bonds or refunding bonds issued shall be brought in accordance with, and within the time specified in, validating procedures in existing law.
- 48) Establishes, in the fund, the Tax Increment Pool Loss Reserve Account. CalHFA shall allocate money from the Trust Fund to the loss reserve account, as specified.
- 49) Requires CalHFA to notify the Joint Legislative Budget Committee if, in any fiscal year, CalHFA determines that there are insufficient moneys in the Trust Fund to pay debt service on issued revenue bonds for that fiscal year.
- 50) Specifies that upon appropriation in the annual Budget Act, the Controller shall transfer moneys from the loss reserve account to the Trust Fund for the sole purpose of paying debt service on revenue bonds issued for any fiscal year for which CalHFA notifies the Joint Legislative Audit Committee, as specified, in an amount necessary to pay debt service for that fiscal year.
- 51) Provides that all money in the Trust Fund shall be held in trust in the custody of the Treasurer.
- 52) Specifies that all money in the Trust Fund is nonstate money. That money shall be held in a trust account or accounts. The Controller shall be responsible for maintaining those accounts to record the Treasurer's accountability, and shall maintain a separate account for each trust deposit in the Trust Fund.
- 53) Provides that moneys in the Trust Fund shall be subject to audit by DOF and to cash count, as specified. It may be withdrawn only upon order of the depositing entity or its disbursing officers. The system that the Director of Finance has established for the handling, receiving, holding, and disbursing of state agency money shall also be used for the money in the Trust Fund.
- 54) Makes numerous technical and conforming changes.
- 55) States that no reimbursement is required by this act because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program level of service mandated by this act.

FISCAL EFFECT: This bill is keyed fiscal and contains a state-mandated local program.

COMMENTS:

- 1) **Bill Summary.** This bill authorizes a city or county to establish an affordable housing financing district by adopting a resolution and enumerates the activities of a district, which include the financing of the development of affordable housing, as defined, and infrastructure to support that housing. This bill establishes the process for the formation of a district, requires the preparation of an affordable housing financing plan, dictates the information that must be included in the plan, establishes the process for adopting the plan, and designates the governing board of a district. This bill allows for the division of property taxes that must be placed in a special fund, and requires a district to file, with the county auditor, a use of tax increment statement and a reconciliation statement that contains specified information. This bill contains provisions for the replacement of dwelling units that are removed or destroyed and requires a district to comply with relocation assistance requirements. This bill allows a district to enter into a contract with CalHFA to remit the property taxes allocated to it and requires CalHFA to transfer the funds to the Trust Fund. This bill requires CalHFA to issue revenue bonds secured by moneys in the Trust Fund and allocate those bond proceeds for use by the district, as specified. This bill is sponsored by the author.
- 2) **Author's Statement.** According to the author, "California has an affordable housing crisis and over the last several years, the State has made historic investments to address homelessness and promote affordable housing creation. However, California needs a continuous funding stream for affordable housing. AB 901 creates a partnership between local agencies and the State to fund affordable housing construction. The bill encourages local governments to create affordable housing financing districts, collect the tax increment from these districts, and pool the funds collected at the state level to acquire bonds. By pooling these dollars, districts receive greater returns on their investment at much faster rates. AB 901 creates a powerful tool for local agencies to fund affordable housing construction."
- 3) **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. Eventually, RDAs were required to set-aside 20% of funding generated in a project area to increase the supply of low

and moderate income housing in the project areas. 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.

- 4) **Attempts to Replace RDAs.** After the Supreme Court's 2011 Matosantos decision dissolved all RDAs, legislators enacted several measures creating new tax increment financing tools to pay for local economic development. The Legislature authorized the creation of Enhanced Infrastructure Financing Districts (EIFDs) [SB 628 (Beall), Chapter 785, Statutes of 2014] quickly followed by Community Revitalization and Investment Authorities (CRIAs) [AB 2 (Alejo), Chapter 319, Statutes of 2015]. Similar to EIFDs, CRIAs use tax increment financing to fund infrastructure projects. CRIAs may currently only be formed in economically depressed areas.

The Legislature has also authorized the formation of affordable housing authorities (AHAs), which may use tax increment financing exclusively for rehabilitating and constructing affordable housing and also do not require voter approval to issue bonds [AB 1598 (Mullin), Chapter 764, Statutes of 2017]. SB 961 (Allen), Chapter 559, Statutes of 2018, removed the vote requirement for a subset of EIFDs to issue bonds and required these EIFDs to instead solicit public input, and AB 116 (Ting), Chapter 656, Statutes of 2019, removed the voter requirement for any EIFD to issue bonds in favor of a formal protest process. SB 852 (Dodd), Chapter 266, Statutes of 2022, created climate resilience districts (CRDs), which can also utilize tax-increment financing. CRDs were also given the authority to issue general obligation bonds and impose special taxes. While these entities share fundamental similarities with RDAs in terms of using various forms of tax-increment financing, they differ in two significant aspects, 1) not having access to the school's share of property tax increment, and 2) not automatically including the tax increment of other taxing entities.

- 5) **Governor's Office of Planning and Research (OPR) Report.** SB 961 (Allen), Chapter 559, Statutes of 2018, required OPR to, on or before January 1, 2021, complete a study and make recommendations on (1) the effectiveness of tax increment financing tools, (2) the relative advantages and disadvantages of different types of tax increment financing tools, and (3) the impacts of extending the Second Neighborhood Infill Finance and Transit Improvement Act (NIFTI-2s) to areas around bus stops, including segregated bus lanes. The first report identified several key limitations current tax increment financing districts share:
 - a) They have limited revenue potential to make district formation worthwhile.

- b) Unlike redevelopment where taxing entity participation was mandatory, current tax increment financing districts rely on volunteer participation.
 - c) They have limited powers compared to RDAs.
 - d) Some technical challenges interfere with their development.
- 6) **California Housing Financing Agency.** According to CalHFA, it has supported the needs of low- and moderate-income renters and homebuyers by providing financing and programs with a focus on equity for more than 45 years. Established in 1975, CalHFA was chartered as the state's affordable housing lender. CalHFA's Multifamily Lending Division finances affordable rental housing through collaborations with developers, local, state and federal government partners and more. Its Single Family Division partners with a preferred lender network to provide first-time homebuyers with down payment and closing cost assistance and access to first mortgage loans. CalHFA is a self-supported state agency that does not rely on taxpayers dollars for its operational costs but regularly administers various state and federal resources on behalf of the state.
- 7) **Policy Consideration.** The report conducted by OPR identified several key limitations current tax increment financing districts share, including the limited revenue potential to make district formation worthwhile. In addition, unlike RDAs, where taxing entity participation was mandatory, current tax increment financing districts rely on volunteer participation, and they have limited powers compared to RDAs. The reports found that, despite the multitude of tax increment financing tools available for local agencies to choose from, only five EIFDs had been created by the end of 2020.

Despite the authority to finance infrastructure with tax increment financing, these financing mechanisms have been used infrequently in part because they do not have access to the school share of property tax increment like RDAs did. However, AB 901 would establish a different approach to financing the development of affordable housing and infrastructure related to that affordable housing. Instead of a district issuing its own tax increment financing bonds, this bill would require a district to remit its portion of tax increment to the state to pool funds from more than one district. The stated intent is for these pooled funds to receive a greater return on their investment at a faster rate because the interest gained would be on an amount much greater than an individual district.

The ultimate success of this bill could depend upon the number of districts that are established and the amount of tax increment revenue that is pooled in the state Trust Fund. Tax increment revenue can be slow to grow because it is dependent upon the growth in property tax over a period of time and is limited to the city or county that created the district and other volunteer agencies. Given these inherent limitations of tax increment financing, the Committee may wish to consider if this bill will be more effective than existing tax increment financing tools.

- 8) **Previous Legislation.** AB 1717 (Friedman) of 2019 would have created the Transit-Oriented Affordable Housing Funding Program Act to use tax increment to fund multifamily housing near transit using a similar pooling mechanism as AB 901. AB 1717 was held in the Assembly Appropriations Committee.

- 9) **Arguments in Support.** According to the San Francisco Bay Area Planning and Urban Research Association (SPUR), “Having worked on several Enhanced Infrastructure Financing District (EIFD) tools in the years following the dissolution of redevelopment agencies in 2011, I concur that this approach could be a more cost effective and efficient way to issue bonds and finance affordable housing according to a locally adopted plan.

“The bill would create the Affordable Housing Tax Increment Pooling Trust in the State Treasurer’s office and allow revenues to be made available more quickly to fund affordable housing by pooling local tax increment financing to service bonds. AB 901 will allow local EIFDs to leverage the state’s credit rating and professional expertise and harness the collective investment of EIFDs from across the state to generate more revenue sooner and have it distributed in proportion to the contribution.”

- 10) **Arguments in Opposition.** None on file.

- 11) **Double-Referral.** This bill is double-referred to the Assembly Committee on Housing and Community Development.

REGISTERED SUPPORT / OPPOSITION:

Support

SPUR

Opposition

None on file

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