

Date of Hearing: April 19, 2023

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Cecilia Aguiar-Curry, Chair

AB 930 (Friedman) – As Amended April 11, 2023

**SUBJECT:** Local government: Reinvestment in Infrastructure for a Sustainable and Equitable California (RISE) districts.

**SUMMARY:** Authorizes the establishment of Reinvestment in Infrastructure for a Sustainable and Equitable California (RISE) districts. Specifically, **this bill:**

- 1) Defines the following terms:
  - a) “Fund” to mean the RISE Revolving Loan Fund.
  - b) “Go-Biz” to mean the Governor’s Office of Business and Economic Development.
  - c) “Program” to mean the RISE District Revolving Loan Program, as specified.
  - d) “RISE District” to mean an established RISE district, as specified, that has adopted a certified RISE development plan (plan), as specified.
- 2) Provides that, upon appropriation by the Legislature, Go-Biz shall establish the Fund.
- 3) Specifies that the purpose of the fund is to provide RISE districts with initial startup funding for projects contained within the RISE district’s certified plan.
- 4) Requires moneys in the fund to be made available to GO-Biz for the purposes of awarding loans, as specified.
- 5) Provides that all interest, dividends, and pecuniary gains from investments or deposits of moneys in the fund shall accrue to the fund, as specified. There shall be paid into the fund all of the following:
  - a) Any moneys appropriated and made available by the Legislature for the purposes of the fund.
  - b) Any moneys that Go-Biz receives in repayment of loans made from the fund, including any interest on loans made from the fund.
  - c) Any other moneys that may be made available to the department from any other source.
- 6) Specifies that, upon appropriation by the Legislature, Go-Biz shall establish the RISE District Revolving Loan Program.
- 7) Requires Go-Biz to award startup loans to RISE districts based on the following criteria:
  - a) Go-Biz shall award loans to a RISE district in an amount deemed necessary to fund the initial projects of the RISE district, as provided in the district’s plan.

- b) Go-Biz shall review applications on a noncompetitive basis.
- 8) Requires Go-Biz to establish standard terms that apply uniformly to all loans awarded, including interest rates and repayment terms.
- 9) Requires loans to ensure the continued existence of RISE districts and facilitate RISE districts to establish long term funding sources otherwise authorized, as specified.
- 10) Requires Go-Biz to adopt regulations as necessary or appropriate to carry out the purposes of the program.
- 11) Specifies that existing administrative regulation and rulemaking processes do not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by Go-Biz.
- 12) 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 RISE district in the fiscal year prior to the designation of the RISE district, but not including any county office of education, school district, or community college district. An “affected taxing entity” may include a special district if the special district is providing any portion of the funding included in the adopted plan, as specified. For the purposes of this section, “special district” means an agency of the state formed for the performance of governmental or proprietary functions within limited geographic boundaries, and shall not include a school district or community college district.
  - b) “Governing board” to mean the governing board of an agency, as specified.
  - c) “Legislative body” to mean the legislative body of a participating local government.
  - d) “Local government” to include, but is not limited to, a city, county, special district, affordable housing finance agency, or transit agency.
  - e) “Location-efficient area” to mean an area that has access to transit and uses compact design to facilitate pedestrian access to transit, thereby linking people to a range of services, amenities, and employment centers. Location-efficient areas include a mix of uses, offer comfortable and convenient transit service to increase the number of viable transportation options available to residents to commute to work, school, or other destinations, and are consistent with sustainable communities strategies to reduce vehicle miles travelled.
  - f) “Office” to mean the Office of Planning and Research (OPR).
  - g) “Participating local government” to mean a local government that proposes or agrees to jointly form a RISE district or that is added as a participating local government.
  - h) “Persons and families of low or moderate income” to mean the same as defined in existing law.

- i) “Reinvestment in Infrastructure for a Sustainable and Equitable California district” or “RISE district” means a regional, joint governance district formed pursuant to this bill by two or more local governments.
  - j) “Sustainable and equitable development” means a development project that reduces disparities in urban, suburban, and rural communities and reduces vehicle miles traveled by supporting residents, specifically those that have been historically underserved and neglected, by providing for a range of affordable housing and transportation options, efficient access to a variety of jobs and services, and clean air quality. Sustainable and equitable developments are diverse and incorporate community input, values of inclusion, equal access to housing, opportunity, and diversity in our communities ensuring that all people, regardless of race, ethnicity, family status, or disability, have a range of choices for where to live now and in the future.
  - k) “Sustainable communities strategy” means a sustainable communities strategy adopted, as specified.
- 13) Requires OPR, no later than November 30, 2025, to develop standards for the formation of RISE districts. The standards shall comply with the following requirements:
- a) The standards shall be consistent with the requirements of this bill.
  - b) The standards shall encourage equitable development in location-efficient areas adjacent to public transit investments, including passenger rail and frequent bus service, in order to refocus growth toward city and community centers while reducing greenhouse gas emissions, per capita vehicle miles traveled, and reinforcing community resilience.
  - c) The standards shall require a RISE development plan to comply with all of the following:
    - i) The RISE development plan shall require that at least 50% of the total funds received by the district be spent on infill supportive infrastructure. For purposes of this paragraph, “supportive infrastructure” includes utilities upgrades, environmental cleanup, pedestrian and bicycle improvements, transit facilities and investments, gap financing for mixed-use development where housing comprises at least two-thirds of the development, and housing infrastructure that is an integral part of, or necessary to facilitate, new infill housing or mixed-use development within a RISE district.
    - ii) The RISE development plan shall require that at least 20% of the total number of residential units created within the district be restricted to persons and families of low or moderate income with an affordable sales price or an affordable rent, as defined, for 55 years for units that are rented, unless a local ordinance or the terms of a federal, state, or local grant, tax credit, or other project financing requires, as a condition of the development of residential units, that the development include a certain percentage of units that are affordable to, and occupied by, low-income, lower income, very low income, or extremely low income households for a term that exceeds 55 years for rental housing units and 45 years for owner-occupied units.

- iii) RISE districts shall provide financing for affordable housing and provide annual reporting to demonstrate progress to meet affordable housing requirements.
  - iv) The RISE development plan shall require that any remaining percentage of funding not otherwise allocated pursuant to the established standards be used for any lawful purpose that supports sustainable and equitable development.
  - v) The RISE development plan shall give first priority for occupancy of housing funded through the RISE development plan pursuant to the following:
    - (1) First, to income-qualified households displaced from the district through no fault of their own.
    - (2) Second, to households with a member or members employed within two miles of the district.
    - (3) Third, to households with an extended family member living within two miles of the district.
- 14) Provides that in addition to the powers granted to an enhanced infrastructure financing district (EIFD), as specified, a RISE district has the power to do all of the following within the territorial jurisdiction of the district:
- a) Fund the planning, acquisition, and construction of housing, infill supportive infrastructure, and any other project otherwise permitted under a certified plan.
  - b) Establish and impose any revenue generating activities eligible to be included in a plan.
  - c) Apply for and receive grants from federal and state agencies.
  - d) Solicit and accept gifts, fees, grants, and allocations from public and private entities.
  - e) Incur general obligation bonded indebtedness, as specified.
  - f) Receive and manage a dedicated revenue source.
  - g) Deposit or invest moneys of the district in banks or financial institutions in the state in accordance with state law.
  - h) Sue and be sued, as specified.
  - i) Engage counsel and other professional services.
  - j) Enter into and perform all necessary contracts.
  - k) Enter into joint powers agreements, as specified.
  - l) Hire staff, define their qualifications and duties, and provide a schedule of compensation for the performance of their duties.

- m) Use interim or temporary staff provided by local agencies that are members of the district, as specified.
- 15) Authorizes the legislative bodies of two or more cities, counties, or a combination of cities and counties to jointly form a RISE district for the purpose of planning, financing, and facilitating supportive infrastructure to spur equitable development comprised of affordable housing and economic development in location-efficient areas that meet goals set out in an adopted sustainable communities strategy for sustainable, walkable development that reduces carbon emissions and vehicle miles traveled.
- 16) Allows a special district to join a RISE district, by resolution, initiated by a city, county, or a combination of cities and counties.
- 17) Provides that the formation of a RISE district shall be by the enactment of an ordinance or resolution of each participating city and county which shall each be substantially similar.
- 18) Requires the ordinance or resolution of a participating city or county to include, at a minimum, specified provisions.
- 19) Allows the boundaries of a RISE district to include all or any portion of the territory within the jurisdiction of the participating local governments. A RISE district may include areas that are not contiguous.
- 20) Provides that after the formation of a RISE district, a local government may be added as a participating local government, as specified.
- 21) Provides for the membership of the governing board and the requirements the governing board shall follow, as specified.
- 22) Specifies that a RISE district is a local agency subject to the Ralph M. Brown Act, the California Public Records Act, and the Political Reform Act of 1974, as specified.
- 23) Specifies that an EIFD that otherwise meets the criteria of this bill may form or expand into a RISE District.
- 24) Requires, after the RISE District is formed, the governing body to prepare, or cause to be prepared, and adopt a plan, as specified, in order to meet both of the following objectives:
- a) Ensure that the RISE district is consistent with priority development areas in an adopted sustainable communities strategy, any applicable planning standards, and other requirements under state law, including those standards developed by OPR, as specified. The applicable metropolitan planning organization shall make a finding that the RISE district complies with these requirements.
  - b) Planning for and financing supportive infrastructure, affordable housing, and equitable development near transit in location-efficient areas in order to refocus growth toward infill areas while reducing greenhouse gas emissions and reinforcing community

resilience.

- 25) Requires the plan to include specified information, including intended revenues sources, identification of any tools or authority needed to implement the plan, and a financing section.
- 26) Provides specified procedures for adopting and amending the plan.
- 27) Provides that the plan shall specify if the RISE district will be funded solely through the district's share of tax increment, governmental or private loans, grants, bonds, assessments, fees, or some combination thereof. However, the RISE district shall not issue bonds or levy assessments or fees that may be included in the plan before other requirements are met.
- 28) Authorizes a RISE District to expend up to 10% of any accrued tax increment in the first two years of the effective date of the RISE district on planning and dissemination of information to the residents within the district's boundaries about the plan and planned activities to be funded by the district.
- 29) Requires the RISE district to review the plan at least annually and make any amendments that are necessary and appropriate and to require the preparation of an annual independent financial audit paid for from revenues of the RISE district.
- 30) Requires a RISE district to adopt an annual report on or before June 30 of each year after holding a public hearing. Written copies of the draft report shall be made available to the public 30 days before the public hearing. The RISE district shall cause the draft report to be posted in an easily identifiable and accessible location on the RISE district's internet website and shall mail a written notice of the availability of the draft report on the internet website to each owner of land and each resident within the area covered by the RISE development plan and to each participating local government. The notice shall be mailed by first-class mail, but may be addressed to "occupant." Specifies the information an annual report shall contain.
- 31) Provides that if a RISE district fails to provide the annual report, the RISE district shall not spend any funds received until the RISE district has provided the report.
- 32) Requires, every 15 years, at a public hearing held, as specified, and after adopting the annual report, the RISE district to consider whether the property owners and residents within the plan area wish to propose amendments to the plan, as specified.
- 33) Enumerates the election requirements and procedures for RISE districts.
- 34) Provides that a RISE district shall not enact a resolution proposing the formation of the district and providing for the division of taxes of any affected taxing entity, as specified, 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, and has been filed with the legislative body at or prior to the time of the hearing.
- 35) Specifies that nothing in this bill shall be construed to prevent a RISE district from amending its plan and adopting a resolution proposing formation of the RISE district without allocation of the tax revenues of any affected taxing entity that has not approved the RISE development plan by resolution of the governing body of the affected taxing entity.

- 36) Provides that if after the date of district formation, an affected taxing entity adopts a resolution approving the RISE district plan and to participate in the division of taxes used to finance a RISE district, the division of taxes shall be based upon the last equalized assessment roll that is used for the district, as specified.
- 37) Specifies that after adopting the plan, the governing board shall submit that plan, along with all supporting documents, to OPR for review.
- 38) Requires OPR to review any plan within 90 days of receipt, determine, and certify in writing to the governing board, either of the following, as applicable:
- a) The plan complies with all applicable planning standards and other requirements under state law, including those standards developed by OPR pursuant to this bill.
  - b) The plan does not comply with the planning standards and specified requirements. If OPR finds that the plan does not comply with those standards and requirements, OPR shall provide the governing board with a written identification of which portions of the plan are not in compliance.
- 39) Provides that a plan shall be deemed to be in effect as of the date of OPR's approval.
- 40) Requires a RISE district to prepare an annual expenditure plan, as specified, an prepare and adopt an annual operating budget and capital improvement budget, as specified, and provide for regular audits of its accounts and records, provide annual financial reports, and make copies of the annual financial reports available to the public.
- 41) Provides that any plan may contain a provision that taxes, if any, levied upon taxable property in the area included within the RISE district each year by or for the benefit of the State of California, or any affected taxing entity after the effective date of the ordinance or 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 prior to the effective date of the resolution adopted to create the RISE 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 specified in the adopted RISE development plan for the city or county and each affected taxing entity that has agreed to participate, as specified, 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 RISE district for all lawful purposes of the RISE 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 RISE district shall be paid to the respective affected taxing entities. When the RISE district ceases to exist pursuant to the adopted RISE development plan, all moneys thereafter received from taxes upon the

taxable property in the RISE district shall be paid to the respective affected taxing entities as taxes on all other property are paid.

- 42) Provides that, notwithstanding 41) above, where any RISE 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 redevelopment agency (RDA), as approved by the Oversight Board and the Department of Finance (DOF). The division of taxes allocated to the RISE district pursuant to 41) 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.
- 43) Allows the legislative body of the city or county to choose to dedicate any portion of its net available revenue to the RISE district through the plan, and defines “net available revenue” for its purposes.
- 44) 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 has agreed to participate, and 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 RISE District for all lawful purposes of the district.
- 45) Provides that when the RISE district ceases to exist, the revenues described in 44) above, shall be allocated to, and, when collected, shall be apportioned to, the respective city or county.
- 46) Provides that the bill's provisions shall not be construed to prevent a RISE district from utilizing 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, as specified: 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.
- 47) Requires the portion of specified taxes to be allocated and paid into a special fund held in trust for the agency by the county auditor or officer responsible for the payment of taxes into the funds of the affected taxing entities, as specified.
- 48) Provides that not later than October 1 of each year, for each RISE development project for which the plan provides for the division of taxes, the RISE district shall file, with the county auditor, a statement of indebtedness, as specified, and a reconciliation statement, as specified. 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 RISE District.
- 49) Requires the county auditor or officer to, at the same time or times as the payment of taxes into the funds of the affected taxing entities of the county, allocate and pay the portion of specified taxes to a special trust fund established for each RISE district, as specified.



- 50) Provides that the statement of indebtedness constitutes prima facie evidence of the loans, advances, or indebtedness of the RISE district.
- 51) Specifies that if the county auditor or other officer disputes the amount of loans, advances, or indebtedness as shown on the statement of indebtedness, the county auditor or other officer shall, within 30 days after receipt of the statement, give written notice to the RISE district thereof.
- 52) Requires the RISE district to, within 30 days after receipt of notice, submit any further information it deems appropriate to substantiate the amount of any loans, advances, or indebtedness which has been disputed. If the county auditor or other officer still disputes the amount of loans, advances, or indebtedness, final written notice of that dispute shall be given to the RISE district, and the amount disputed may be withheld from allocation and payment to the RISE district as specified. In that event, the auditor or other officer shall bring an action in the superior court in declaratory relief to determine the matter not later than 90 days after the date of the final notice.
- 53) Provides that in any court action brought, the issue shall involve only the amount of loans, advances, or indebtedness, and not the validity of any contract or debt instrument or any expenditures pursuant thereto. Payments to a trustee under a bond resolution or indenture of any kind or payments to a public agency in connection with payments by that public agency pursuant to a lease or bond issue shall not be disputed in any action, as specified. The matter shall be set for trial at the earliest possible date and shall take precedence over all other cases except older matters of the same character. Unless an action is brought within the time provided for herein, the auditor or other officer shall allocate and pay the amount shown on the statement of indebtedness. Provides that this does not deny a remedy against the RISE district otherwise provided by law, as specified.
- 54) Requires the Controller to prescribe a uniform form for a statement of indebtedness and reconciliation, as specified. In preparing these forms, the Controller shall obtain the input of county auditors, agencies, and organizations of county auditors and agencies.
- 55) Requires the county auditor to, after deducting its administrative costs for activities, as specified, allocate the funds deposited in a special trust fund established for a RISE district and shall distribute those taxes in the same manner and at the same time or times as the payment of taxes into the funds of the affected taxing entities of the county. The amounts in the fund shall be transferred to the RISE district and available to the RISE district for any purpose authorized in the RISE development plan.
- 56) Provides procedures and requirements for allocating specified city or county revenues before or after the adoption of the plan, as specified.
- 57) Requires the RISE district to require, by recorded covenants or restrictions, that affordable housing units financed, as specified, remain available at affordable housing costs to, and occupied by, very low income households, persons and families of low income, or persons and families of low or moderate income for the following, as applicable:
  - a) 55 years for units that are rented, unless a local ordinance or the terms of a federal, state, or local grant, tax credit, or other project financing requires, as a condition of the development of residential units, that the development include a certain percentage of

units that are affordable to, and occupied by, low income, lower income, very low income, or extremely low income households for a term that exceeds 55 years for rental housing units.

- b) 45 years for owner-occupied units.
- 58) Specifies that a RISE district shall not adopt an ordinance terminating a RISE district if the district has not complied with its affordable housing obligations.
- 59) Authorizes a RISE district to, by majority vote, issue tax increment bonds by adopting a resolution that includes specified information.
- 60) Authorizes the RISE district to, by majority vote, provide for refunding of bonds. However, refunding bonds shall not be issued if the total net interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds exceeds the total net interest cost to maturity on the bonds to be refunded. The RISE district may not extend the time to maturity of the bonds.
- 61) Provides that the RISE district or any person executing the tax increment bonds shall not be personally liable on the bonds by reason of their issuance. The bonds and other obligations of a district issued are not a debt of the city, county, or state or of any of its political subdivisions, other than the district, and none of those entities, other than the district, shall be liable on the bonds and the bonds or obligations shall be payable exclusively from funds or properties of the district. The bonds shall contain a statement to this effect on their face. The bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation.
- 62) Authorizes the bonds to be sold at discount not to exceed 5% of par at public sale. At least five days prior to the sale, notice shall be published, as specified, in a newspaper of general circulation and in a financial newspaper published in the City and County of San Francisco and in the City of Los Angeles. The bonds may be sold at not less than par to the federal government at private sale without any public advertisement.
- 63) Specifies that commencing in the calendar year in which a district has allocated a cumulative total of more than one million dollars (\$1,000,000) in property tax increment revenues under this bill, including any proceeds of a debt issuance, and each year thereafter, the district shall contract for an independent audit conducted in accordance with generally accepted governmental auditing standards.
- 64) Provides that, upon the request of the Governor or the Legislature, the Bureau of State Audits shall be authorized to conduct financial and performance audits of RISE districts. The results of the audits shall be provided to the district, the Controller, the Director of Finance, and the Joint Legislative Budget Committee.
- 65) Enumerates the labor standard requirements for projects financed with RISE district funds.
- 66) Makes other technical and conforming changes.
- 67) Provides that no reimbursement is required by this act because only costs that may be incurred by a local agency or school district will be incurred because the act creates a new

crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, as specified, or changes the definition of a crime, as specified.

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

**COMMENTS:**

- 1) **Bill Summary.** This bill allows two or more cities and counties, or a combination of cities and counties to form a RISE district for the purpose of planning, financing, and facilitating supportive infrastructure and equitable development in location-efficient areas, and allows a special district to join a RISE district by adopting a resolution. Schools may not participate in a RISE district. This bill enumerates the activities of a RISE district, establishes the process for the formation of a RISE district, designates the governing board of a RISE district, requires the preparation of a RISE development plan, dictates the information that must be included in the plan, and establishes the process for adopting the plan. This bill authorizes a RISE district to utilize local sales taxes, as specified, the division of property taxes for tax increment purposes, transient occupancy taxes, incur general obligation bond debt, and allows RISE districts to issue tax increment bonds. RISE districts must also review the plan at least annually and must prepare an annual independent audit. This bill contains labor requirements for projects financed by RISE districts.

No later than November 30, 2025, OPR must develop standards for the formation of a RISE district and the standards must comply with specified requirements. The standards must require the plan to spend at least 50% of the total funds received by a RISE district on infill supportive infrastructure. The plan must require at least 20% of the total number of residential units created within the district to be restricted to persons or families of low or moderate income, and allow the remaining funds to be spent on any purpose that supports sustainable and equitable development. After adopting a plan, the governing board of the RISE district must submit the plan to OPR for review. OPR must review the plan within 90 days and certify, in writing, whether the plan complies with the adopted standards and requirements. If OPR approves the plan, the plan is deemed to be in effect.

This bill also establishes the RISE Revolving Loan Fund and the RISE district Revolving Loan Program to award startup loans based upon specified criteria. This bill is sponsored by the Council of Infill Builders, CivicWell, and the San Francisco Bay Area Planning and Urban Research Association (SPUR).

- 2) **Author's Statement.** According to the author, "Many local governments would like to boost investment in infrastructure and transit-oriented infill development however lack access funding and projects are not economically feasible due to lack of available land, high infrastructure costs, weak market comps and expensive and risky entitlement processes.

"In 1945 California enacted the Community Redevelopment Act to assist local governments in eliminating blight through development. This program allowed redevelopment agencies to use state and local incremental property tax to support redevelopment. The program was successful in eliminating blight and resulted in thousands of new housing units over the course of its 67-year history. On February 1, 2012 Redevelopment agencies were dissolved.

“AB 930 would permit two or more local governments to jointly form a Reinvestment in Infrastructure for a Sustainable and Equitable California (RISE) district to unlock tax increment financing for infrastructure and equitable development in location-efficient areas. It will align planning and infrastructure investments to refocus growth toward community centers while reducing car dependence, lower carbon emissions, and encourage economic development and climate resilient housing production near transit in walkable communities.”

- 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 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 issues 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 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) **Sustainable Communities Strategy.** SB 375 (Steinberg), Chapter 728, Statutes of 2008, requires the California Air Resources Board, to set regional targets for greenhouse gas reductions and requires each metropolitan planning organization to prepare a sustainable communities strategy as part of its regional transportation plans. The sustainable communities strategy demonstrates how the region will meet its greenhouse gas targets through land use, housing, and transportation strategies.
- 7) **Go-Biz.** According to GO- Biz, GO-Biz serves as the State of California's leader for job growth, economic development, and business assistance efforts. They offer a range of no-cost consultation services to business owners including: attraction, retention and expansion services, site selection, permit assistance, regulatory guidance, small business assistance, international trade development, assistance with state government, and much more.

8) **Policy Considerations.** The Committee may wish to consider the following:

- a) **New Approach.** 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 voluntary participation, and they have limited powers compared to RDAs. The report found that, despite the multitude of tax increment financing tools available, such as EIFDs, for local agencies to choose from, only five EIFDs had been created by the end of 2020.

A couple of common criticisms of EIFDs are that they are slow to raise revenue and have limited revenue-raising potential. 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. 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. However, this bill gives the RISE districts increased revenue-raising authority over EIFDs, including the ability to incur general obligation bond indebtedness, the use of transient occupancy taxes, and it establishes the RISE Revolving Loan Program to award startup loans and help fund initial projects.

Given these new revenue-raising tools, the Committee may wish to consider if RISE districts will be more successful than EIFDs and other tax increment financing tools.

- b) **Common Requirements.** This bill leaves out key provisions found in other tax increment financing district legislation. The Committee may wish to consider if the following typical tax increment financing district provisions should be added to this bill:
- i) Requirement that a project that is funded by a RISE district have an estimated useful life of 15 years or longer.
  - ii) Limitations on providing services and how bond funds can be spent.
  - iii) Dwelling replacement and relocation assistance requirements.
  - iv) Limitation on the ability to create a RISE district if a city or county did not receive a finding of completion during RDA dissolution, and other related requirements.
- c) **Right of First Refusal.** This bill would give a RISE district the authority to “a right of first refusal for real property sold within the jurisdictional boundaries.” Does this apply to all real property within a RISE district? Does this provide a RISE district the authority to have the right of first refusal when an individual property owner sells a home or business property? It is ultimately unclear what this authority would provide. The Committee may wish to consider if this is an appropriate authority for RISE districts.
- d) **Is Clarity Needed?** This bill uses a few terms that are undefined, potentially causing confusion in its implementation. For example, this bill specifies that OPR’s standards must require that at least 50% of the total funds received by the district are spent on infill supportive infrastructure. However, this bill does not contain a definition of infill, potentially leaving the scope of projects and where they can be conducted open for

interpretation.

Additionally, this bill requires a RISE development plan to require that at least 20% of the total number of residential units created within the RISE districts be restricted to persons and families of low or moderate income. However, as written, it is not entirely clear how many affordable housing units, if any, are required to be built. Additionally, it is unclear if this allows a RISE districts to build or subsidize market-rate housing. To address these issues, and ensure that the bill achieves its purposes and provides clear direction to local governments on how to use this new financing tool, the Committee may wish to consider if additional clarity is needed.

- 9) **Committee Amendments:** In order to address the above policy considerations, the Committee may wish to amend the bill as follows:

**62401.** No later than November 30, 2025, the office shall develop standards for the formation of RISE districts. The standards shall comply with the following requirements:

(a) The standards shall be consistent with the requirements of this division.

(b) The standards shall encourage sustainable and equitable development in location-efficient areas adjacent to public transit investments, including passenger rail and frequent bus service, in order to refocus growth toward city and community centers while reducing greenhouse gas emissions, per capita vehicle miles traveled, and reinforcing community resilience.

(c) The standards shall require a RISE development plan to comply with all of the following:

(1) The RISE development plan shall require that at least 50 percent of the total funds received by the district be spent on infill supportive infrastructure. For purposes of this paragraph, “supportive infrastructure” includes utilities upgrades, environmental cleanup, pedestrian and bicycle improvements, transit facilities and investments, ~~gap financing for mixed-use development where housing comprises at least two-thirds of the development~~, and housing infrastructure that is an integral part of, or necessary to facilitate, new infill housing or mixed-use development within a RISE district.

(2) (A) The RISE development plan shall require that at least ~~20~~ 30 percent of the total funds received by the district shall be spent on ~~number of~~ residential units created within the district ~~be~~ restricted to persons and families of low or moderate income with an affordable sales price or an affordable rent, as defined in Section 50052.5 or 50053 of the Health and Safety Code, for 55 years for units that are rented, unless a local ordinance or the terms of a federal, state, or local grant, tax credit, or other project financing requires, as a condition of the development of residential units, that the development include a certain percentage of units that are affordable to, and occupied by, low-income, lower income, very low income, or extremely low income households for a term that exceeds 55 years for rental housing units and 45 years for owner-occupied units.

(B) RISE districts shall provide financing for affordable housing and provide annual reporting to the office to demonstrate progress to meet affordable housing requirements in subparagraph (A).

(C) A RISE district may finance mixed-income housing developments, but may finance only those units in such a development that constitute affordable housing.

(3) The RISE development plan shall require that any remaining percentage of funding not otherwise allocated pursuant to the standards established in the section be used for any lawful purpose that supports sustainable and equitable development.

- (4) The RISE development plan shall give first priority for occupancy of housing funded through the RISE development plan pursuant to the following:
- (A) First, to income-qualified households displaced from the district through no fault of their own.
  - (B) Second, to households with a member or members employed within two miles of the district.
  - (C) Third, to households with an extended family member living within two miles of the district.

**(5) (A) The RISE development plan shall require all projects receiving funds from the district comply with at least one of the following:**

- (i) The development is located within one-half mile of public transit.**
  - (ii) At least 75 percent of the perimeter of the site of the development adjoins parcels that are developed with urban uses. For the purposes of this section, parcels that are only separated by a street or highway shall be considered to be adjoined.**
- (B) For the purposes of this section "Public transit" means a major transit stop as defined in Section 21155 of the Public Resources Code.**

**62402.** In addition to the powers granted to an enhanced infrastructure financing district pursuant to Chapter 2.99 (commencing with Section 53398.50) of Part 1 of Division 2 of Title 5, a RISE district has the power to do all of the following within the territorial jurisdiction of the district:

- (a) Fund the **planning**, acquisition, and construction of housing, infill supportive infrastructure, and any other project otherwise permitted under a RISE development plan **with an estimated useful life of 15 years or longer** that is certified pursuant to Section 62412.
- (b) The planning and design work that is directly related to the purchase, construction, expansion, or rehabilitation of the property described in subdivision (a)**

**62402.1. Notwithstanding any other provision of this title, a district shall not do either of the following:**

- (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.**

**62403. It is the intent of the Legislature that the creation of the districts should not ordinarily lead to the removal of existing dwelling units. If, however, any dwelling units are proposed to be removed or destroyed in the course of public works construction within the area of the district or private development within the area of the district that is subject to a written agreement with the district or that is financed in whole or in part by the district then the RISE development plan adopted pursuant to Section 62410 shall contain provisions to do all of the following:**

- (a) If the dwelling units to be removed or destroyed are or were inhabited by persons or families of very low, low, or moderate income, as defined in Sections 50105 and 50093 of the Health and Safety Code, at any time within five years prior to establishment of the district, cause or require the construction or rehabilitation of an equal number of replacement dwelling units, within one-half mile of the location of the units to be removed or destroyed, that have an equal or greater number of bedrooms as those removed or destroyed units, within two years of the removal or destruction of the dwelling units. The replacement dwelling units shall be available for rent or sale to**



persons or families of very low, low, or moderate income, at affordable rent, as defined in Section 50053 of the Health and Safety Code, or at affordable housing cost, as defined in Section 50052.5 of the Health and Safety Code, to persons in the same or a lower income category (extremely low, very low, low, or moderate), as the persons displaced from, or who last occupied, the removed or destroyed dwelling units.

(b) If the dwelling units to be removed or destroyed were not inhabited by persons of low or moderate income within the period of time specified in subdivision (a), cause or require the construction or rehabilitation within one-half mile of the location of the units to be removed or destroyed of at least one unit but not less than 25 percent of the total dwelling units removed or destroyed, within two years of the removal or destruction of the dwelling units. The units constructed or rehabilitated pursuant to this subdivision shall be of equivalent size and type to the units to be removed or destroyed. An equal percentage of the replacement dwelling units constructed or rehabilitated pursuant to this subdivision shall be available for rent or sale at affordable rent, as defined in Section 50053 of the Health and Safety Code, or affordable housing cost, as defined in Section 50052.5 of the Health and Safety Code, to extremely low and very low income persons or families, as defined in Sections 50106 and 50105 of the Health and Safety Code.

(c) Comply with all relocation assistance requirements of Chapter 16 (commencing with Section 7260) of Division 7 of Title 1, for persons displaced from dwelling units by any public works construction within the area of the district or private development within the area of the district that is subject to a written agreement with the district or that is financed in whole or in part by the district as a result of the RISE development plan adopted pursuant to Section 53398.69. The displacement of any persons from a dwelling unit as a result of the plan shall be deemed to be the result of public action.

(d) Ensure that removal or destruction of any dwelling units occupied by persons or families of low or moderate income not take place unless and until there has been full compliance with the relocation assistance requirements of this section, Section 53398.63, and Chapter 16 (commencing with Section 7260) of Division 7 of Title 1.

(e) (1) The district shall require, by recorded covenants or restrictions, that all dwelling units constructed or rehabilitated pursuant to this section shall remain available at affordable rent or housing cost to, and occupied by, persons and families of the same income categories as required by subdivision (a) or (b), as applicable, for the longest feasible time, but for not less than 55 years for rental units and 45 years for owner-occupied units.

(2) The district may permit sales of owner-occupied units prior to the expiration of the 45-year period for a price in excess of that otherwise permitted under this subdivision pursuant to an adopted program which protects the district's investment of moneys in the unit or units, including, but not limited to, an equity sharing program, not in conflict with another public funding source or law, which establishes a schedule of equity sharing that permits retention by the seller of a portion of those excess proceeds based on the length of occupancy. For purposes of this paragraph, the terms of the equity sharing program shall be consistent with the provisions of paragraph (2) of subdivision (c) of Section 65915, provided, however, that the program shall require any amounts recaptured by the district to be used within five years for any of the affordable housing purposes described in Section 34176.1 of the Health and Safety Code.

62404. A city or county that created a redevelopment agency, as defined in Section 33003 of the Health and Safety Code, shall neither initiate the creation of a district, nor

**participate in the governance or financing of a district, until each of the following has occurred:**

**(a) The successor agency for the former redevelopment agency created by the city or county has received a finding of completion, as specified in Section 34179.7 of the Health and Safety Code.**

**(b) The city or county certifies to the Department of Finance and to the public financing authority that no former redevelopment agency assets that are the subject of litigation involving the state, if the city or county, the successor agency, or the designated local authority are a named plaintiff, have been or will be used to benefit any efforts of an enhanced infrastructure financing district formed under this chapter, unless the litigation and all possible appeals have been resolved in a court of law. The city or county shall provide this certification to the Department of Finance within 10 days of its legislative body's action to participate in an enhanced infrastructure financing district pursuant to Section 53398.68, or of its legislative body's action to form an enhanced infrastructure financing district pursuant to Section 53398.69.**

**(c) The office of the Controller has completed its review as specified in Section 34167.5 of the Health and Safety Code.**

**(d) The successor agency and the entity that created the former redevelopment agency have complied with all of the office of the Controller's findings and orders stemming from the reviews as specified in subdivision (c).**

**62405.** **After the Office develops standards pursuant to 62401,** the legislative bodies of two or more local governments may jointly form a RISE district pursuant to this division for the purpose of planning, financing, and facilitating development around passenger rail stations and other adjacent location-efficient areas that meet state planning and performance guidelines and land use criteria.

**62410.** (a) After the RISE district is formed, the governing board shall prepare, or cause to be prepared, and adopt a RISE development plan, in accordance with this article, in order to meet both of the following objectives:

(1) Ensure that the RISE district is consistent with priority development areas in an adopted sustainable communities strategy, any applicable planning standards, and other requirements under state law, including those standards developed by the office pursuant to Section 62401. The applicable metropolitan planning organization shall make a finding that the RISE district complies with this paragraph.

(2) Planning for and financing supportive infrastructure, affordable housing, and equitable development near transit in location-efficient areas in order to refocus growth toward infill areas while reducing greenhouse gas emissions and reinforcing community resilience.

(b) The RISE development plan shall include all of the following:

(1) Identification of any intended source of revenue for financing a project or projects within the boundaries of the RISE district. Permissible sources of revenue may include, but are not limited to, the following:

(A) Investments of state resources, as requested by the district.

(B) The division of property tax revenues, excluding revenues dedicated to paying off the obligations of former redevelopment agencies or other obligations, and revenues dedicated to school districts, in accordance with Section 62420.

(C) Local sales and use taxes in accordance with Section 62421.

(D) Transient occupancy taxes imposed by a city or county in accordance with Chapter 1 (commencing with Section 7280) of Part 1.7 of Division 2 of the Revenue and Taxation Code.

(E) Tax increment bonds described in Article 5 (commencing with Section 62425).

(F) Any other revenues that may be lawfully used.

(2) Identification of any tools or authority needed to implement the RISE development plan, including, but not limited to, **the following:**

~~(A) The authority to purchase, bank, and assemble parcels of real property.~~

~~(B) A right of first refusal for real property sold within the jurisdictional boundaries of the district.~~

Due to timing constraints, these amendments should be adopted in the Jobs, Economic Development, and the Economy Committee.

- 10) **Arguments in Support.** According to the sponsors of this bill, “AB 930 would permit two or more local governments to jointly form a Reinvestment in Infrastructure for a Sustainable and Equitable California (RISE) district to unlock tax increment financing (TIF) for infrastructure and equitable development in location-efficient areas...

“The RISE Act will build on SB 375 planning work and will provide new tools and incentives to align investments in housing and infrastructure while refocusing growth toward community centers. This infill development will in turn reduce car dependence, lower carbon emissions, and encourage economic development and climate resilient housing production near transit in walkable communities.

The co-sponsors are dedicated to championing policies that make high-quality, transit-oriented infill development easier, cheaper and faster to build. Complicated and risky entitlement processes, expensive land and infrastructure costs, stymie meritorious climate friendly equitable development.”

- 11) **Arguments in Opposition.** According to the State Building and Construction Trades Council of California, “With any bill that contemplates affordable housing, we believe that worker protection and training standards must include both prevailing wage coverage and skilled and trained workforce requirements to adequately protect the workforce and the public. While we acknowledge the inclusion of wage theft protections and prevailing wage coverage in the bill identical to those found in AB 2011 (Wicks – 2022) this section of law unfortunately also contains provisions that are problematic. AB 930 relies on labor and safety protections for workers in the residential sector that are unproven and likely run afoul of federal law, the Employee Retirement Income Security Act of 1974 (ERISA).

“We do not believe that the “labor” provisions created by AB 2011 and used in AB 930, should even be considered real worker protection provisions. There is an unclear requirement about whether apprentices need to be utilized which means that the projects envisioned by AB 930 will not contribute to the training of construction workers and the healthcare requirement will likely be invalidated meaning that there will be no requirement to provide healthcare coverage to workers toiling in one of the most dangerous professions in the world: construction.”

According to the California Association of Realtors, “AB 930, as currently drafted, would likely put ownership opportunities even farther out of reach for these communities as it would dramatically reduce our naturally occurring affordable market rate housing stock by simply shifting the existing supply to state ownership, as opposed to constructing new housing units that are desperately needed at all levels. Furthermore, AB 930 fails to provide downpayment assistance to families, and uses its funding sources to further enrich corporate for profit and nonprofit investors in residential real property.

12) **Double-Referral.** This bill is double-referred to the Assembly Committee on Jobs, Economic Development, and the Economy.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

CivicWell [SPONSOR]  
Council of Infill Builders [SPONSOR]  
San Francisco Bay Area Planning and Urban Research Association [SPONSOR]  
East Bay YIMBY  
Grow the Richmond  
How to ADU  
Monterey County  
Mountain View YIMBY  
Napa-Solano for Everyone  
Northern Neighbors  
Peninsula for Everyone  
People for Housing Orange County  
Progress Noe Valley  
San Francisco YIMBY  
San Luis Obispo YIMBY  
Santa Cruz YIMBY  
Santa Rosa YIMBY  
Streets for All  
South Bay YIMBY  
Southside Forward  
Streets for People  
Sonoma Land Trust  
Southern California Association of Governments  
Urban Environmentalists  
Ventura County YIMBY  
YIMBY Action

### **Opposition**

California Association of Realtors (unless amended)  
State Building and Construction Trades Council of California (unless amended)

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