



SENATOR JIM BEALL AND SENATOR MIKE MCGUIRE

SB 5 Building Affordable and Inclusive Communities

ISSUE

At the time of its dissolution in 2012, Redevelopment Agencies (RDA) were the largest single source of funding for affordable housing and spent over \$1 billion on its construction annually. This lost revenue, in addition to budget cuts at the federal level, created a significant gap in the construction and availability of affordable units.

The aim of this legislation is to thoughtfully tackle the housing crisis by responding to the needs of cities and counties. It will create desperately needed housing opportunities for hard-working Californians and also help alleviate poverty, create jobs, and meet our statewide environmental goals without affecting school funding.

BACKGROUND

California's housing crisis is staggering: 2.2 million extremely low-income and very low-income renter households are competing for only 664,000 affordable rental homes. This leaves more than 1.54 million of California's lowest-income households without access to housing. Furthermore, low-income families are forced to spend more of their income on rent, which leaves little else for other basic necessities. Many renters must postpone or forego homeownership, live in more crowded housing, commute further to work, or, in some cases, choose to live and work elsewhere. This also leaves low-income families more vulnerable to becoming homeless.

Historically, the Community Redevelopment Law (CRL) allowed local government to establish a redevelopment area and capture a portion of the increase in property taxes generated within the area (referred to as "tax increment") over a period of decades. The law required redevelopment agencies to deposit 20% of tax increment into a Low and Moderate Income Housing Fund (L&M fund) to be used to increase, improve, and preserve the community's supply of low- and moderate-income housing available at an affordable-housing cost.

In 2011, the Legislature enacted legislation to dissolve RDA's in response to the Great Recession and a need to close a massive budget shortfall. The elimination of RDAs returned billions of dollars of property tax revenues to schools, cities, and counties to fund core services.

Since the elimination of RDAs, local governments and lawmakers have searched for ways to raise the capital needed to invest in public works projects including affordable housing.

A number of new laws have brought back some of the tools of RDAs to help combat our growing affordable housing crisis. Most notably is the establishment of Enhanced Infrastructure Finance Districts. These tools have not been widely used by local governments for many reasons including the need for local governments to opt-in and partner on IFDs and a lack of state financial support.

THIS BILL

This bill allows local governments to collaborate on state-approved redevelopment plans, which would be funded by reducing their contributions to local Education Revenue Augmentation Funds (ERAFs). Funding can be used for the following five purposes: (1) affordable housing, (2) transit-oriented development, (3) infill development, (4) revitalizing and restoring neighborhoods, and (5) planning for sea level rise.

The funding mechanism will allow local governments that have opted-in and have an approved project plan to receive a reduction of their ERAF contribution. This bill will commit \$2 billion in ongoing state funding (ramping up from \$200 thousand over 9 years) and will ensure schools are held harmless to meet the Prop 98 guarantee. At a minimum, 50% of the program's funding must be used to construct workforce and affordable housing.

The bill also creates a Sustainable Investment Incentive Committee to review and approve or disapprove proposed projects. The Committee will be comprised of

individuals appointed by the Legislature and the Governor.

Each applicant that has received financing pursuant to the program for any fiscal year shall provide a report to the Committee. The Committee will provide oversight of the funds and will be responsible for providing an annual report on program outputs to the Joint Legislative Budget Committee.

SUPPORT

American Planning Association, California Chapter
Bay Area Council
Big City Mayors
California Apartment Association
California Association for Local Economic Development
California Association of Housing Authorities
California Contract Cities Association
California State Pipe Trades Council
California State Association of Electrical Workers
City of Alameda
City of Albany
City of Brentwood
City of Burbank
City of Concord
City of Cotati
City of Covina
City of Crescent City
City of Eureka
City of Fort Bragg
City of Fountain Valley
City of Hollister
City of Laguna Beach
City of Laguna Niguel
City of Lakeport
City of Lakewood
City of Los Alamitos
City of Mill Valley
City of Modesto
City of Moorpark
City of Napa
City of Novato
City of Orange Cove
City of Pasadena
City of Paramount
City of Placentia
City of Pinole
City of Rancho Cucamonga
City of Rohnert Park
City of Rosemead
City of Salinas
City of San Diego
City of San Jose

City of Sand City
City of San Rafael
City of Santa Cruz
City of South Pasadena
City of Stanton
City of Vallejo
First Community Housing
International Association of Sheet Metal, Air, Rail and Transportation Workers
International Union of Operating Engineers
Kosmont Companies
Laborers' International Union of North America
League of Cities
Local Government Commission
Marin County Council of Mayors and Councilmembers
Mayor of San Jose
Northern California Carpenters Regional Council
Petaluma Pie Company
Plumbers, Steamfitters, Pipefitters and HVAC/R Service Technicians UA Local Union 393
Santa Clara & San Benito Counties Building & Construction Trades Council
South Bay Cities Council of Governments
South Bay Labor Council
Southern California Association of Governments
Sprinkler Fitters and Apprentices Local 483
State Building and Construction Trades Council, ALF-CIO
Town of Corte Madera
Town of Danville
Town of Fairfax
Ventura Council of Governments
Western States Council of Sheet Metal Workers
Working Partnership USA

FOR MORE INFORMATION

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