



SENATOR JIM BEALL, SENATOR MIKE MCGUIRE, AND SENATOR ANTHONY PORTANTINO

SB 5 Building Affordable and Inclusive Communities

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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 projects that mitigate the effects of climate change.

The funding mechanism will allow local governments that have opted-in and have an approved project plan to receive additional property tax from the State. This bill will commit \$2 billion in ongoing state funding (ramping up from \$200 million 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 affordable housing. Of the 50% funds for affordable housing, a minimum of 80% must be used for low-income housing (below 80% AMI) and be consistent with the Low Income Housing Tax Credit program. The remaining 20% can be used for moderate-income housing (80% to 120% AMI). Provisions also ensure that housing is, and remains, affordable to renters.

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

Affordable Housing Network of Santa Clara County
Associated Builders and Contractors, Northern California Chapter
American Planning Association, California Chapter
Bay Area Council
Big City Mayors
California Apartment Association
California Association of Housing Authorities
California Association for Local Economic Development
California Chapters of the National Electrical Contractors Association
California Coalition for Rural Housing
California Contract Cities Association
California Forward Action Fund
California Housing Partnership
California Labor Federation
California Legislative Conference of the Plumbing, Heating and Piping Industry
California State Association of Electrical Workers
California State Council of Laborers
California State Pipe Trades Council
Cities Association of Santa Clara County
City of Alameda
City of Albany
City of Brentwood
City of Burbank
City of Clovis
City of Concord

City of Cotati
City of Covina
City of Crescent City
City of East Palo Alto
City of Eureka
City of Fort Bragg
City of Fountain Valley
City of Garden Grove
City of Glendale
City of Hollister
City of La Mirada
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 Paramount
City of Pasadena
City of Pinole
City of Placentia
City of Rancho Cucamonga
City of Rohnert Park
City of Rosemead
City of Salinas
City of San Carlos
City of San Diego
City of San Jose
City of San Rafael
City of Sand City
City of Santa Cruz
City of South Pasadena
City of Stanton
City of Thousand Oaks
City of Vallejo
Electrical Contractors of California Trust
Engineering and Utility Contractors Association
First Community Housing
Housing California
Housing Trust Silicon Valley
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
Los Angeles County Division
Marin County Council of Mayors and Councilmembers
Mayor of San Jose

Non-Profit Housing Association of Northern California
Northern California Allied Trades
Northern California Carpenters Regional Council
Northern California Sheet Metal Worker's, Local 104
Petaluma Pie Company
Plumbers, Steamfitters, Pipefitters and HVAC/R Service
Technicians UA Local Union 393
Sacramento Housing Alliance
San Diego County Division
San Diego Housing Federation
San Francisco Housing Action Coalition
San Joaquin County Hispanic Chamber of Commerce
San Jose/Silicon Valley Branch of the NAACP
Santa Clara & San Benito Counties Building &
Construction Trades Council
South Bay Cities Council of Governments
South Bay Labor Council
South Bay YIMBY
Southern California Association of Governments
Southwest California Legislative Council
Sprinkler Fitters and Apprentices Local 483
SPUR
State Building and Construction Trades Council, ALF-
CIO
TechEquity Collaborative
Town of Corte Madera
Town of Danville
Town of Fairfax
United Contractors
Ventura Council of Governments
Wall And Ceiling Alliance
Western States Council of Sheet Metal Workers
Western Wall & Ceiling Contractors Association
Working Partnership USA



FOR MORE INFORMATION

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