

**Metropolitan Transportation Commission and Association of Bay Area Governments
Joint MTC Legislation Committee and ABAG Legislation Committee**

February 14, 2020

Agenda Item 8c

Senate Bill 795 (Beall): Affordable Housing and Community Development Investment Program

Subject: SB 795 is a reintroduction of SB 5 (Beall), which MTC and ABAG supported last year, but which was ultimately vetoed by the Governor due to concerns about its impact on the General Fund. The bill would establish a new mechanism to use local property tax revenue for affordable housing, infrastructure and climate change mitigation, among other purposes.

Background: Since 1992, state law has required local agencies to reallocate a portion of property tax revenue to the Educational Revenue Augmentation Fund (ERAF) for redistribution to local school districts as a way to backfill state funding cuts to education. SB 795 would establish a new program, named the Affordable Housing and Community Development Investment Program, funded using ERAF resources, subject to approval of a locally-nominated project by an interagency Affordable Housing and Community Development Investment Committee (Committee), which the bill would create. Each county could only apply for funds equivalent to its share of the ERAF contribution for that year. The bill would authorize \$200 million per year statewide in fiscal years (FY) 2022-27 and \$250 million per year statewide in FY 2027-31 for a grand total of \$2 billion in funds. The intention of the bill is to hold school funding harmless and essentially backfill the lost property tax revenue with state General Fund resources.

SB 795 would allow this ERAF property tax increment to be used for the following purposes:

- Predevelopment, development, acquisition, rehabilitation, and preservation of affordable housing.
- Transit-oriented development for the purpose of developing higher density uses within close proximity to transit stations that will increase public transit ridership and contribute to the reduction of vehicle miles traveled and greenhouse gases. Fiscal incentives shall be offered to offset local community impacts associated with greater densities.
- Infill development that supports high-density, affordable, and mixed-income housing in locations designated as infill.
- Reuse and redevelopment of previously developed, underutilized land that is presently served by transit, street, water, sewer, and other essential services, particularly in underserved areas.
- Local community planning and engagement efforts to revitalize and restore neighborhoods.
- Protecting communities dealing with the effects of climate change, including, but not limited to, sea level rise, wildfires, seismic safety, and flood protection.

As noted above, the bill would establish a new state-level interagency committee, to review and approve plans. The Committee would be comprised of the chair of the Strategic Growth Council, the chair of the California Housing Finance Agency, the chair of the California Workforce Investment Board, the Director of the Department of Housing and Community Development, Senate and Assembly appointees, and a public member appointed by the Joint Legislative Budget Committee.

At a minimum, 50 percent of the program’s funding must be used to construct affordable housing. Of the 50 percent funds for affordable housing, a minimum of 80 percent must be used for low-income housing [below 80 percent Area Median Income (AMI)] and be consistent with the Low-Income Housing Tax Credit program. The remaining 20 percent can be used for moderate-income housing (80-120 percent AMI). Provisions also ensure that housing remains affordable to renters.

The bill would require the Committee, upon approval of a plan, to direct the county auditor for the appropriate jurisdiction to transfer an amount of ad valorem property tax revenue otherwise required to be contributed to the county’s ERAF from the applicant (e.g., a city or a county) by the amount approved to fund the project in a given year. For an applicant who does not already contribute to a county’s ERAF—i.e., an enhanced infrastructure financing district, affordable housing authority, community revitalization investment authority, affordable housing and community development investment agency, or transit village development district—the bill would require the county auditor to allocate an amount from the county’s ERAF to the city or county that created the entity, and the city or county would transfer the funds to the entity, in the amount equal to its approved amount. The bill would authorize applicants to use approved amounts to incur debt or issue bonds or other financing to support an approved project.

Discussion: Based on staff’s review, SB 795 appears to be an innovative approach to harnessing property tax funding to build affordable housing and other important local priorities, including sea level rise mitigation. Because SB 795 provides a significant ongoing financeable funding stream for affordable housing (along with other important purposes), staff recommends MTC and ABAG take a “support” position on the bill.

Recommendation: Support / ABAG Executive Board Approval
Support / MTC Commission Approval

Bill Positions: See Attachment A

Attachments: Attachment A: Bill Positions



Therese W. McMillan

Senate Bill 795 (Beall) Known Positions

Support

State Building and Construction Trades Council, ALF-CIO (Sponsor)

Affordable Housing Network

Bay Area Housing Advocacy Coalition

BART Transit Village Advocates

California-Nevada Conference of Operating Engineers

City of Alameda

City of Bellflower

City of Duarte

City of El Centro

City of Fountain Valley

City of Palo Alto

City of Pasadena

City of South Pasadena

Council of Community Housing Organizations

County of Los Angeles

California State Association of Counties

EAH Housing

LifeMoves

Mercy Housing

Midpeninsula Regional Open Space District

Orange County Business Council

San Jose Conservation Corps and Charter School

SPUR

Silicon Valley @ Home

Silicon Valley Leadership Group

Silicon Valley Young Democrats

Oppose

None on file