



Memorandum

TO: Joint MTC Legislation Committee and
ABAG Legislation Committee

DATE: March 1, 2019

FR: Deputy Executive Director, Policy

RE: SB 5 (Beall): Local-State Sustainable Investment Incentive Program

Background

Senate Bill 5 would establish a new mechanism to use local property tax revenue for affordable housing, infrastructure and sea-level rise mitigation, among other purposes. The program, named the Local-State Sustainable Investment Incentive Program, would be funded using Educational Revenue Augmentation Fund (ERAF) funds from the county in which the project is located, subject to approval of the project by the state Sustainable Investment Incentive Committee (SIIC), which the bill would create. The bill would authorize \$200 million per year from fiscal years (FY) 2021-25 and \$250 million per year from FY 2026-29 for a grand total of \$2 billion in funds. The intention of the bill is to hold school funding harmless. Further amendments are planned to clarify some of the fiscal aspects of the bill.

Recommendation: Support in Concept

Discussion

Since 1992, state law has required local agencies to reallocate a portion of property tax revenue to the ERAF for redistribution to local school districts as a way to backfill state funding cuts. SB 5 would allow this property tax increment to be used instead for the following purposes, subject to approval of a specific grant application by the SIIC.

- Construction of workforce and affordable housing.
- Transit-oriented development in priority locations that maximize density and transit use, and contribute to the reduction of vehicle miles traveled and greenhouse gas emissions. Fiscal incentives shall be offered to offset local community impacts associated with greater densities.
- Infill development, including improvements to existing infrastructure that supports infill development.
- 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.
- Preserving cultural and historic resources.
- Local community planning and engagement efforts to revitalize and restore neighborhoods.
- Protecting communities dealing with the effects of sea-level rise.

As noted above, the bill would establish a new state level committee, the SIIC, to review and approve applications. The SIIC would be comprised of nine members, including the chair of the Strategic Growth Council, the chair of the California Infrastructure and Economic Development Bank, 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 Governor.

The bill would require the SIIC, upon approval of an application, to direct the county auditor to reduce the total 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, such as an enhanced infrastructure financing district, affordable housing authority, transit village development district, or community revitalization investment authority, the bill would require the county auditor to transfer to that entity property taxes in the amount of funding for the project that was approved by the SIIC for that year. The bill would authorize applicants to use approved amounts to incur debt or issue bonds or other financing to support an approved project.

Based on staff's preliminary review, SB 5 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. As you know, CASA Compact Item #9 included property tax increment as a potential source of funding for affordable housing and also included Redevelopment 2.0 as a Call to Action. Because SB 5 provides a significant ongoing financeable funding stream for affordable housing (along with other important purposes), staff recommends MTC and ABAG take a "support in concept" position on the bill to provide flexibility to advocate for supportive amendments to realize the benefits of the bill as it evolves through the legislative process.


Known Positions

Support:

California State Pipe Trades Council
California State Association of Electrical Workers
City of Eureka
First Community Housing
International Association of Sheet Metal, Air, Rail and Transportation Workers
International Union of Operating Engineers
Laborers' International Union of North America
League of Cities
Mayor of San Jose
Northern California Carpenters Regional Council
Plumbers, Steamfitters, Pipefitters and HVAC/R Service Technicians UA Local Union 393
Santa Clara & San Benito Counties Building & Construction Trades Council
Sprinkler Fitters and Apprentices Local 483
State Building and Construction Trades Council, ALF-CIO
Western States Council of Sheet Metal Worker

Oppose:

None on file


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AAB:rl