

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

May 10, 2019

Agenda Item 7c4

AB 11 (Chiu): Community Redevelopment Law of 2019

- Subject:** AB 11 would restore to cities and counties the option to form an entity that can use “tax-increment financing” to pay for affordable housing and other local infrastructure priorities, subject to approval of the Strategic Growth Council.
- Background:** Prior to the dissolution of redevelopment in 2011 in the midst of a major state budget shortfall, redevelopment contributed approximately \$200 million per year towards affordable housing in the Bay Area. Item 1B of the 2019 Joint Advocacy Program includes support for restoring redevelopment. ABAG and MTC have already endorsed an alternate approach, SB 5 (Beall/McGuire) which proposes to eliminate the voter-approval requirement for bond issuance for enhanced infrastructure financing districts, which can use limited tax-increment financing.
- Discussion:** AB 11 allows a city or a county or two or more cities acting jointly to form an Affordable Housing and Infrastructure Agency (AHIA) to use tax-increment financing to fund a variety of affordable housing and infrastructure projects, including any project consistent with a Sustainable Communities Strategy (e.g. Plan Bay Area 2040). Unlike EIFDs, an AHIA would be allowed to use the school portion of property tax, significantly increasing the revenue available.

Eligible Expenses Are Broad, but Miss Some Key Needs

The bill requires that at least 30 percent of funds be used for affordable housing and limits other projects to the following:

- Transit priority projects located in a transit priority area
- Any project to implement an approved Sustainable Communities Strategy
- Roadway improvements, parking facilities, and transit facilities
- Sewage treatment and water reclamation plants and interceptor pipes
- Water collection and treatment facilities
- Flood control levees and dams, retention basins, and drainage channels
- Child care facilities
- Libraries
- Parks, recreational facilities, and open space
- Solid waste-related transfer and disposal facilities
- Brownfield restoration and other environmental mitigation
- Port or harbor infrastructure

While this list is quite comprehensive, notably absent are references to flood control, sea walls or other infrastructure to mitigate for sea level rise, including green infrastructure, such as marshland restoration. In addition, members of the Housing Legislative Working Group noted it would be useful to add pipe replacement, fire resilience and disaster recovery as additional eligible expenses. We recommend we pursue an amendment to add these and welcome other suggestions.

Bill Seeks to Hold Schools Harmless and Limit State's Fiscal Impact The bill aims to ensure that schools are held harmless by the property tax diversion by requiring the Director of Finance to adjust the percentage of General Fund revenues appropriated to school districts each year in such a manner as it has no fiscal impact on K-12 education and community colleges. The bill also sets an as-yet undetermined cap on the annual amount of debt that may be issued and AHIA's that may be formed in order to control the total fiscal impact to the state given its financial obligations to backfill for the reduced property taxes available for education.

Eliminate Eminent Domain Provision

The Housing Legislative Working Group, while generally supportive of bringing back tax-increment financing, raised concerns about whether eminent domain is a necessary component of a renewed redevelopment program in California, especially if the focus is on affordable housing. In addition, a number of committee members raised questions about the proposed governance of an AHIA. Specific concerns related to the presence of public members on the board and the limited representation by the city or cities that choose to form the agency since every affected taxing agency is given a seat on the board. Given the history of abuse of eminent domain and the current governance structure for the AHIA, we recommend pursuing an amendment to remove the eminent domain provision from the bill and provide for term limits for the public members of the AHIA.

Recommendation: Support and Seek Amendments

Bill Positions: See attached

Attachments: Attachment A: Bill Positions


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**AB 11 Official Positions
Updated 5/9/19**

Support

Alameda County Transportation Commission
Bay Area Housing Advocacy Coalition
California Apartment Association
California Association of Realtors
San Francisco Housing Action Coalition
LeadingAge California

Opposition

California Teachers Association
Fieldstead and Company.
Howard Jarvis Taxpayers Association
Institute for Justice
Pacific Legal Foundation