SENATE RULES COMMITTEE SB 780
Office of Senate Floor Analyses
(916) 651-1520 Fax: (916) 327-4478

THIRD READING

Bill No: SB 780
Author: Cortese (D)
Amended: 5/3/21
Vote: 21

SENATE GOVERNANCE & FIN. COMMITTEE: 5-0, 4/8/21
AYES: McGuire, Nielsen, Durazo, Hertzberg, Wiener

SENATE HOUSING COMMITTEE: 8-0, 4/29/21
AYES: Wiener, Caballero, Cortese, McGuire, Ochoa Bogh, Skinner, Umberg, Wieckowski
NO VOTE RECORDED: Bates

SUBJECT: Local finance: public investment authorities

SOURCE: California Association for Local Economic Development

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DIGEST: This bill makes several changes to enhanced infrastructure financing districts (EIFDs) and community revitalization infrastructure authorities (CRIAs).

ANALYSIS:

Existing law:

1) Authorizes local governments to create EIFDs and to use tax increment financing (TIF) to finance public capital facilities or other specified projects.

2) Requires an EIFD to have a membership consisting of one of the following:

   a) If an EIFD has only one participating taxing entity, then the membership shall consist of three members of the legislative body of the participating entity and two members of the public chosen by the legislative body.

   b) If an EIFD has two or more participating affected taxing entities, the membership shall consist of a majority of members from the legislative bodies of the participating entities, and a minimum of two members of the public chosen by the legislative bodies of the participating entities.

3) Requires a legislative body, when designating an EIFD, to adopt a resolution of intention to establish a proposed district. The resolution of intention shall include, among other things, a statement that an EIFD is proposed to be established and a description of the boundaries, which may be accomplished by reference to a map.

4) Authorizes the EIFD, among other things, to purchase, construct, or improve of real property or maintain of public facilities, as specified.

5) Requires a designated official to prepare a proposed EIFD plan, which shall contain, among other things, a financing section, as specified.

6) Requires the EIFD plan to be sent to each property owner within the proposed EIFD and to each taxing entity together with any reports required by the California Environmental Quality Act (CEQA), as specified.

7) Requires the authority to review the EIFD plan at least annually and authorizes the authority to make amendments as needed.

8) Authorizes a local government to establish a CRIA to use property tax increment revenues to finance a community revitalization plan within an community revitalization area.

9) Requires a governing board to be appointed by the local government that created the CRIA and include three members of the legislative body of the local government and two public members.

10) Authorizes a CRIA to carry out a plan within a community revitalization area. Not less than 80% of the land shall be characterized by both of the following conditions:

    a) An annual median income that is less than 80% of the statewide, countywide, or citywide annual median income.

    b) Three of the following conditions: specified high unemployment rates, specified high crime rates, deteriorated or inadequate infrastructure, or deteriorated commercial or residential structures.

11) Authorizes a CRIA to carry out a plan, as an alternative to 10) above, within a community revitalization area if it meets either of the following: the area is

established within a former military base that is not characterized by deteriorated or inadequate infrastructure and structures, or the census tracts or census block groups are situated within a disadvantaged community.

12) Authorizes a CRIA to, among other things, provide funding to rehabilitate, repair, upgrade, or construct infrastructure, provide for low- and moderate-income housing, acquire and transfer real property, issue bonds, borrow money, receive grants or accept financial or other gifts, and provide direct assistance to businesses within the plan area in connection with new or existing facilities for industrial or manufacturing uses.

13) Requires that the repayments of the CRIAs debts and obligations shall not exceed 45 years. The plan shall specify that a CRIA shall dissolve as a legal entity in no more than 45 years.

14) Requires the CRIA to review the plan at least annually and make amendments necessary and appropriate, as specified.

15) Requires cities and counties to prepare and adopt a general plan, including a housing element, to guide the future growth of a community. The housing element shall consist of an identification and analysis of existing and projected housing needs and a statement of goals, policy objectives, financial resources, and scheduled programs for the preservation, improvement, and development of housing. Requires the housing element to contain an assessment of housing needs and an inventory of resources and constraints relevant to meeting those needs.

16) Requires a locality's inventory of land suitable for residential development to be used to identify sites that can be developed for housing within the planning period and that are sufficient to provide for the locality's share of the regional housing need for all income levels. Land suitable for development includes, among other things: Residentially zoned sites that are capable of being developed at a higher density and sites zoned for nonresidential use that can be redeveloped for residential use, and for which the housing element includes a program to rezone the site, as necessary.

17) Defines a transit priority as a project that shall (a) contain at least 50% residential use, (b) provides a minimum net density of at least 20 dwelling units per acre; and (c) be within one-half mile of a major transit stop or high-quality transit corridor included in a regional transportation plan.

This bill:

1) Provides that if an EIFD has one or two participating tax entities, the legislative body may appoint one of its members to be an alternate member.

2) Provides that if an EIFD has three participating tax entities, the legislative bodies may, upon agreement by all participating affected taxing entities, appoint only one member and one alternative member of their respective bodies to the public financing authority, and a minimum of two members of the public chosen by the legislative bodies of the participating entities.

3) Authorizes an EIFD map to identify project areas.

4) Requires the EIFD plan to contain either of the following:

   a) A date on which the EIFD will cease to exist, not more than 45 years from the date on which the issuance of bonds is approved or the issuance of a loan is approved by a governing board of a local agency.

   b) If the district is subdivided into project areas, a date on which the plan will cease to be in effect and all tax allocations to the district will end and a date on which the authority to repay indebtedness with incremental tax revenues will end, not to exceed 45 years, as specified.

5) Provides for an alternative schedule to mailing the EIFD plan and any CEQA documents, and any additional required notices, as specified.

6) Authorities amendments to the EIFD plan, including proposals to finance affordable housing and additional eligible projects, to be approved by a majority vote of the governing board at a public hearing held following the 30-day notice describing the proposed changes mailed to all property owners, residents, and affected taxing entities. Additional amendments shall be adopted in accordance with all notices and hearing requirements for affected landowners and residents, as specified.

7) Provides that if after the date of the formation of the EIFD, an affected taxing entity adopts a resolution approving the EIFD plan and to participate in the division of taxes to finance an EIFD, the division of taxes shall be based upon the last equalized assessment roll that is used for the district, as specified.

8) Authorizes the governing board of the CRIA to appoint one of its members to be an alternate, as specified.

9) Adds sites identified in a local government's housing element that are suitable for residential development, including parcels that allow transit priority projects, to the list of alternative locations where local agencies can establish CRIAs if they comply with either a sustainable communities strategy or an alternative planning strategy.

10) Authorizes a CRIA to provide direct assistance to business within the plan area in connection with the redevelopment or conversion of underutilized office or retail structures or parcels into housing.

11) Requires the plan to specify that the CRIA shall dissolve in no more than 45 years from the date upon which the issuance of the debt is approved for a plan, or approved for a project area designated by the CRIA, as specified.

12) Provides that, if a CRIA divides the plan into multiple project areas, the date on which the plan will cease to be in effect and all tax allocations to the CRIA will end and a date on which the repayment of indebtedness with incremental tax revenues will not exceed 45 years, as specified.

13) Requires the CRIA to prepare an annual independent financial audit paid for from revenues from the CRIA, and to make amendments to an approved plan including proposals to finance affordable housing by a majority vote of the governing board, as specified.

14) Requires the CRIA, every 15 years, to consider whether property owners and residents within the plan area wish to prepare amendments to the plan, as specified.

Comments

1) *Purpose of the bill*. According to the author, "After the elimination of redevelopment agencies, the state has tried to find effective solutions to spur economic development and build affordable housing in local communities. EIFDs and CRIAs have shown promise, yet have proven to be overly cumbersome to establish and operate. SB 780 will successfully revitalize these tools, empowering local agencies to leverage their tax increment to spur the development of affordable housing and public infrastructure in their communities."

2) *Sure, but will it work*? Redevelopment agencies (RDAs) were widely adopted for two reasons. First, they allowed cities and counties to take increment from the school share of the property tax, which the state backfilled from the General Fund in many cases. This generated billions of dollars in additional

funds that cities and counties could only access through redevelopment. Second, they allowed cities and counties to skirt voter approval requirements on debt issuance. While both EIFDs and CRIAs do not require voter approval to issue bonds, SB 780 does not grant them any funds beyond what would be otherwise available, making them significantly less attractive. There may also be additional barriers to establish TIF districts that SB 780 does not fix. Some observers suggest that TIF formation has been slow due to legal uncertainty over their bonding capacity. They suggest that there is concern over whether making payments to a TIF counts as a debt obligation for participating cities or counties, which would require two-thirds voter approval.

3) *Alphabet soup*. After the Supreme Court's 2011 *Matosantos* decision dissolved all RDAs, legislators enacted a slew of measures creating new TIF tools to pay for local economic development. In 2014, the Legislature authorized the creation of EIFDs, quickly followed by CRIAs in 2015 (AB 2, Alejo, Chapter 319). Four years ago, the Legislature authorized the formation of Affordable Housing Authorities, which may use TIF exclusively for rehabilitating and constructing affordable housing and also do not require voter approval to issue bonds (AB 1598, Mullin, Chapter 764, Statutes of 2017). Three years ago, SB 961 (Allen, Chapter 559, Statutes of 2018) removed the vote requirement for a subset of EIFDs focused on areas near transit called Neighborhood Infill Finance and Transit Improvement Districts to issue bonds and required these EIFDs to go through a similar public protest process. In light of the recent creation of numerous TIF tools, and the little time local agencies have had to understand their application, should further changes to existing TIF tools be made? Or, should the Legislature assess the TIF tools it has, identify the successful elements of each TIF tool, and focus efforts behind creating TIF legislation that is clear, easy to use, accountable, and allows local agencies across the state to promote stronger economic development?

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 5/4/21)

California Association for Local Economic Development (source)
California Business Properties Association
California Forward Action Fund
City of Lakewood
City of Lynwood
City of San Diego
City of West Sacramento

County of Monterey
Desert Valleys Builders Association
Keyser Marston Associates, Inc.
League of California Cities
RSG, Inc.
S Squared Consulting
San Francisco Bay Area Planning and Urban Research Association
Southern California Edison
Southwest California Legislative Council

OPPOSITION: (Verified 5/4/21)

None received

Prepared by: Jonathan Peterson / GOV. & F. / (916) 651-4119
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