

Date of Hearing: April 27, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 2492 (Alejo) –Amended April 14, 2016

SUBJECT: Community revitalization

SUMMARY: Makes changes to allow greater flexibility for the creation community revitalization and investment authorities (CRIA) and allows a CRIA to receive funding from the same sources as an enhanced infrastructure financing district (EIFD). Specifically, **this bill:**

- 1) Allows a CRIA to use a combination of both the United States (US) Census Bureau census track and census block groups data to identify a project area.
- 2) Allows a CRIA to use, at their discretion, statewide, countrywide, or citywide levels of area median income to identify a project area.
- 3) Clarifies the source of unemployment data required to identify a CRIA project area.
- 4) Allows a CRIA to use the unemployment data from the periodic American Community Survey published by the US Census Bureau in addition to the labor market information published by the Employment Development Department (EDD) in March of the year the CRIA plan is prepared.
- 5) Provides that in determining the crime rate of a proposed CRIA project area the crime rate is based on the area's average crime rate for violent or property crimes offenses as documented by the records maintained by the law enforcement agency in the jurisdiction.
- 6) Requires the crime rate to be calculated by taking the local incidents of violent and property crimes or any offences within those categories for the most recent calendar year for which the Department of Justice maintains data and dividing it by the total population of the proposed plan area and multiplying that amount by 100,000.
- 7) Provides that if the local crime rate for the proposed plan area exceeds the statewide average rate for either violent or property crime, or any offense within these categories by more than 5% then crime rate necessary to qualify as a CRIA project area is considered met.
- 8) Gives a CRIA the same authority as an EIFD, to receive funds allocated to it pursuant to a resolution adopted by a city, county, or special district from:
 - a) the increased property tax revenues that the city, county, or special district receives from the dissolution of redevelopment agencies;
 - b) property taxes received by a city or county in lieu of former vehicle license fee funds; or
 - c) funds derived from various assessments that may be imposed by special districts.
- 9) Makes other technical changes.

EXISTING LAW:

- 1) Authorizes local governments to create CRIA to use tax increment revenue to improve the infrastructure, assist businesses, and support affordable housing in disadvantaged communities.
- 2) Allows local governments to form an authority in two ways
 - a) A city, county, or city and county can adopt a resolution creating an authority governed by a five-member board that is appointed by the city, county, or city and county's legislative body. Three-board members must be members of the city, county, or city and county's legislative body and two must be public members who live or work within the community revitalization and investment area.
 - b) A city, county, city and county, and special district, in any combination, may create an authority by entering into a joint powers agreement. The authority's governing body must be comprised of a majority of members from the legislative bodies of the public agencies that created the authority. The governing body must include at least two public members who are appointed by a majority of the authority's board and must live or work within the community revitalization and investment area.
- 3) Allows an authority to carry out a community revitalization and investment plan (plan) within a community revitalization and investment area. This bill requires that at least 80% of the land calculated by census tracts or census block groups within the area must be characterized by both of the following conditions:
 - a) An annual median household income that is less than 80% of the statewide annual median income.
 - b) Three of the following four conditions:
 - i. Nonseasonal unemployment that is at least 3% higher than the statewide median, as defined by a specified labor market report.
 - ii. Crime rates that are 5% higher than the statewide median crime rate, as defined by a specified Department of Justice report.
 - iii. Deteriorated or inadequate infrastructure such as streets, sidewalks, water supply, sewer treatment or processing, and parks.
 - iv. Deteriorated commercial or residential structures.
- 4) Deems an authority to be a local public agency subject to the Ralph M. Brown Act, the Public Records Act, and the Political Reform Act.

- 5) Requires an authority to adopt a plan that may include a provision for the receipt of tax increment funds generated within the area, provided the plan includes eight specified elements.
- 6) Specifies the manner in which an authority must consider adoption of the plan, including requiring public hearing, a protest process and, in some cases, voter approval of the plan through a specified election process.
- 7) Directs an authority to consider and adopt a plan amendment in accordance with the procedures that applied to the consideration and adoption of the original plan.
- 8) Deems an authority to be the "agency" described in California Constitution Article XVI, Section 16, for purposes of receiving tax increment revenues.
- 9) Requires that at least 25% of all tax increment revenues that are allocated to the authority from any participating entity must be deposited into a separate Low- and Moderate-Income Housing Fund and used by the authority for the purposes of increasing, improving, and preserving the community's supply of low- and moderate-income housing available at affordable housing cost, as defined in state law.
- 10) Allows an authority to exercise any or all of its powers for the construction, rehabilitation, or preservation of affordable housing for extremely low, very low, low- and moderate-income persons or families.
- 11) Enumerates detailed requirements governing the manner in which an authority may manage and expend tax increment revenues deposited into a Low- and Moderate-Income Housing Fund.
- 12) Requires every plan to contain a provision that whenever dwelling units housing persons and families of low- or moderate-income are destroyed or removed from the low- and moderate-income housing market as part of a revitalization project the authority must, within two years of such destruction or removal, rehabilitate, develop, or construct, or cause to be rehabilitated, developed, or constructed, for rental or sale to persons and families of low- or moderate-income an equal number of replacement dwelling units at affordable housing costs, as defined by state law, within the territorial jurisdiction of the authority.
- 13) Requires an authority to prepare a feasible method or plan for relocating:
 - a) Families and persons to be temporarily or permanently displaced from housing facilities in the plan area; and
 - b) Nonprofit local community institutions to be temporarily or permanently displaced from facilities used for institutional purposes in the project area.
- 14) Requires the relocation plan to comply with the relocation plan and assistance requirements of state law.
- 15) Requires an authority to annually review the plan, prepare an independent financial audit, and adopt an annual report in a public hearing.

- 16) Provides that if an authority fails to provide the annual report, the authority shall not spend any funds received pursuant to a resolution, as specified, until the authority has provided the report, except for funds necessary to carry out its specified obligations regarding housing for persons of low- and moderate-income.

FISCAL EFFECT: None.

COMMENTS:

Last year, AB 2 (Alejo) Chapter 2, Statutes of 2015 authorized cities and counties to create CRIAs to use tax increment revenue to improve the infrastructure, assist businesses, and support affordable housing in disadvantaged communities. A CRIA can freeze the property taxes at the time the plan for revitalizing the area is approved, collect all the tax increment or the increase in property taxes that is generated after that point and use it on specified activities. Unlike redevelopment agencies, the taxing entities in the area including the county, city, special districts, or a military base must agree to divert tax increment to the CRIA. Local government entities that initially participate can opt out by giving the auditor-controller sixty days' notice; however, the auditor-controller will continue to collect the local government entities' portions of tax increment until any debts issued up until then have been repaid. No portion of the local schools' share of tax increment may go to the authority. CRIA's must set-aside 25% of revenues for affordable housing and must replace any existing affordable housing units that are removed as a result of their activities.

A CRIA may only be created in areas which are predominately low-income and have a high unemployment and crime rate. At least 80% of a CRIA project area, based on US Census data must have an annual median household income that is less than 80% of the statewide annual median income. In addition, a CRIA must meet three of the four following conditions:

- 1) the nonseasonal unemployment must be at least 3% higher than the statewide median, as defined by a specified labor market report;
- 2) the crime rate must be 5% higher than the statewide median crime rate, as defined by a specified Department of Justice report;
- 3) there must be deteriorated or inadequate infrastructure such as streets, sidewalks, water supply, sewer treatment or processing, and parks; and
- 4) there must be deteriorated commercial or residential structures.

According to the sponsor, the League of California Cities, this bill is intended to clarify where CRIAs can be formed. The sponsor worked with the EDD to update the mechanism for determining the unemployment rate and the Department of Justice (DOJ) to revise the means of determining the crime rate necessary to meet the standard to qualify an area as a CRIA.

To establish a CRIA a city or county must determine that at least 80% of the project area has an annual median income that is less than 80% of the statewide average as determined by the US Census. This bill would give a city or county the option of using the statewide average or the citywide or countywide average. This change provides a more precise standard and could have the effect of expanding the area that could be included in a CRIA. To establish a CRIA a city or

county must also establish that 80% of the project area meets three of four conditions: high unemployment, high crime rate, deteriorated infrastructure, or deteriorated commercial or residential structures.

In calculating the unemployment rate, in addition to using the EDD's annual update, the city or county can rely upon the US Census Data's American Community Survey. The American Community Survey is a survey conducted by the U.S. Census Bureau. Unlike the every-10-year census, this survey continues all year, every year. The Survey is conducted by randomly sampling addresses in every state, the District of Columbia, and Puerto Rico. Answers are collected to form up-to-date statistics used by many federal, state, tribal, and local leaders. To determine the crime rate for a CRIA project area, existing law require a city or county to use the statewide median crime rate as determined by the Criminal Justice Statistics Center within DOJ, when data is available on the California Attorney General's Internet Web site. This bill would require a city or county to compare the local data for violent or property crime offenses and compare that against the statewide average.

Access to additional resources: SB 628 (Beall), Chapter, 785, Statutes of 2014, allowed a city or county to create an EIFD, in order to finance specified facilities and infrastructure projects, using tax increment. SB 628 expanded, as compared to existing IFD law, the public capital facilities or other projects of communitywide significance that could be financed by an EIFD, to include brownfield restoration and other environmental mitigation, the development of projects on a former military base, transit priority projects, and projects that implement a sustainable communities strategy, among other infrastructure projects.

The city or county that creates an EIFD can choose to transfer its portion of increased property tax revenues as a result of redevelopment dissolution, property taxes received by the city or county in lieu of former vehicle license fee funds, and funds from various assessments that a special district imposes. AB 2492 allows a CRIA to also receive funds from these sources if a city, county, or special district chooses to transfer them.

Prior Legislation:

AB 2 (Alejo) Chapter 2, Statues of 2015 authorized local governments to create CRIA to use tax increment revenue to improve the infrastructure, assist businesses, and support affordable housing in disadvantaged communities.

SB 628 (Beall), Chapter 785, Statutes of 2014 allowed local agencies to create EIDS to finance specified infrastructure projects and facilities.

Double referred: If AB 2492 passes this committee, the bill will be referred to the Committee on Local Government.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association for Local Economic Development
California Business Properties Association
League of California Cities

Opposition

Howard Jarvis Taxpayers Association

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