

Date of Hearing: May 9, 2018

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 1792 (Frazier) – As Amended March 19, 2018

SUBJECT: Affordable housing authorities: infrastructure

SUMMARY: Allows affordable housing authorities to provide for infrastructure to support the development of affordable housing, including, but not limited to, streets, roads, sidewalks, sewer lines, water lines, power lines, and gas lines within one-quarter mile of an affordable housing development.

EXISTING LAW:

- 1) Allows a city, county, or city and county (hereafter referred to as “city and county”) to adopt a resolution creating an affordable housing authority (authority) that is limited to providing low- and moderate-income housing and affordable workforce housing. “Affordable workforce housing” means housing with an affordable cost or affordable rent for households whose gross income does not exceed 120% of area median income (AMI). Permits the boundaries of the authority to be identical to the boundaries of the city and county that created it.
- 2) Prohibits a school entity from participating in an authority. Prohibits a successor agency to a redevelopment agency (RDA) from participating in, or receiving funding from, any authority.
- 3) Specifies the membership of the governing board of an authority.
- 4) Requires the authority, by resolution, to create a Low and Moderate Income Housing Fund (L&M Fund) and to adopt an affordable housing investment plan (plan) that may include either or both of the following:
 - a) A provision of the receipt of tax increment funds generated within the area; and
 - b) A provision for the receipt of any tax revenues allocated to the authority, including revenues from local sales and use taxes or transaction and use taxes.
- 5) Requires the plan to include the following:
 - a) A statement of the principal goals and objectives of the plan;
 - b) An affordable housing program that describes how the authority will fulfill its objective and if duties and activities will be assigned to a city or county housing department or public housing authority;
 - c) The estimated amount that will be deposited in the L&M Fund during each of the next five years;
 - d) Estimates of the number of new, rehabilitated, or price restricted residential units to be assisted during each of the five years, and estimates of moneys from the L&M Fund over a 10-year period at various income levels; and

- e) Estimates of the number of units to be developed by the authority for very low-, low-, and moderate-income households during the next five years.
- 6) Permits, at any time before or after the adoption of the plan, a city or county that receives ad valorem property taxes from property located within an area to adopt a resolution directing the county auditor-controller to allocate its share of the property tax increment funds within the area covered by the plan to the authority. Permits for a city or county to adopt a resolution to allocate tax revenues to the authority, including revenues from local sales and use taxes or transaction and use taxes, as specified.
- 7) Permits an authority to do the following:
 - a) Provide for low- and moderate-income housing and affordable workforce housing;
 - b) Remedy or remove a release of hazardous substances;
 - c) Provide for seismic retrofit of existing buildings;
 - d) Acquire and transfer real property;
 - e) Issue bonds;
 - f) Borrow money, receive grants, or accept financial or other assistance or investment from the state or federal government or any other public agency or private lending institution for any project within its area of operation and comply with any condition of a loan or grant;
 - g) Receive funds allocated to it pursuant to a resolution adopted by a city or county.
 - h) Adopt an affordable housing plan;
 - i) Make loans or grants for owners or tenants to improve, rehabilitate, or retrofit buildings or structures within the plan area; and
 - j) Construct foundations, platforms or other like structural forms necessary for the provision or utilization of air rights sites for buildings to be used for purposes of providing affordable housing.
- 8) Requires an authority to prepare a feasible method or plan for relocation of all of any families and persons to be temporarily or permanently displaced from housing facilities as a result of actions by the authority.
- 9) Permits an authority to:
 - a) Purchase, lease, obtain an option upon, acquire by gift, grant, bequest, devise, or otherwise, any real or personal property, any interest in property, and any improvements on it, including repurchase of developed property previously owned by the authority;

- b) Accept, at the request of the legislative body of the community, a conveyance of real property, located either within or outside the plan area, owned by a public entity and declared surplus by the public entity, or owned by a private entity;
 - c) Sell, lease, grant, or donate real property owned or acquired by the authority in a plan area to a housing authority or to any public agency for public housing projects; and
 - d) Offer for resale property acquired by an authority for rehabilitation and resale within one year after completion of rehabilitation.
- 10) Establishes the Bergeson-Peace Infrastructure and Economic Development Bank (I-Bank) within the Governor's Office of Business and Economic Development (GO-Biz) and authorizes it to undertake a variety of infrastructure-related financial activities including, but not limited to, the administration of a revolving loan fund, oversight of the Small Business Finance Center, and the issuance of tax-exempt and taxable revenue bonds.
- 11) Allows the I-Bank to finance housing-related infrastructure, including:
- a) City streets;
 - b) Drainage, water supply, and flood control;
 - c) Environmental mitigation measures;
 - d) Power and communications;
 - e) Public transit improvement that directly supports transit-oriented housing;
 - f) Sewage collection and treatment; and
 - g) Water treatment and distribution.

FISCAL EFFECT: None.

COMMENTS:

Background: Over the last 60 years, redevelopment agencies used tax increment to finance affordable housing, community development, and economic development projects. The dissolution of redevelopment agencies created a void and as such, there have been efforts to create new tools that would support community and economic development activities since then. AB 2 (Alejo, Chapter 319, Statutes of 2015) created Community Revitalization and Investment Authorities (CRIAs), which allow local governments—excluding schools—to collect property tax increment and issue debt. CRIAs can use their powers to invest in disadvantaged communities with a high crime rate, high unemployment, and deteriorated and inadequate infrastructure, commercial, and residential buildings. Three of these four conditions constitute “blight.” In addition, the area where the CRIA can invest must have an AMI of less than 80% of statewide AMI.

Last year, AB 1598 (Mullin, Chapter 746, Statutes of 2017) created affordable housing authorities (authorities), modelled after CRIA law, to fund activities related to the promotion and development of affordable housing. Authorities can capture property tax increment, as well as

revenues from a local sales and use tax or transactions and use tax, provided that the use of those revenues by the authority is consistent with the purposes for which that tax was imposed. These authorities are intended for use in areas where the “blight” requirements of CRIAs may not be applicable, but where a shortfall still exists in affordable housing units.

This bill would allow affordable housing authorities formed under the process set out by AB 1598 to provide for infrastructure to support the development of affordable housing within one-quarter mile of the housing.

Infrastructure Finance Districts (IFDs): Cities and counties can create IFDs and issue bonds to pay for community scale public works: highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. To repay the bonds, IFDs can divert property tax increment revenues. However, IFDs can't divert property tax increment revenues from schools (SB 308, Seymour, 1990). In 2014, in response to the dissolution of redevelopment, legislators enacted SB 628 (Beall, Chapter 785, Statutes of 2014) to allow local officials to create Enhanced Infrastructure Financing Districts (EIFDs), which augment the tax increment financing powers that are available to local government under the IFD statutes. City or county officials can create an EIFD, which is governed by a public finance authority, to finance public capital facilities or other specified projects of communitywide significance that provide significant benefits to the district or the surrounding community.

In addition, last year AB 56 (Holden, Chapter 289, Statutes of 2017) added housing-related infrastructure to the types of facilities that may be funded by the I-Bank.

Need for the bill: According to the author, “Housing is desperately needed throughout California to the tune of 1.8 million new homes by 2025. But, we have to ensure that the infrastructure that is hooked up to these new units function properly. By allowing that an Authority can update and improve the infrastructure around a project, Californians can be sure that the plumbing and electricity work when they need them. This is a practical and efficient approach to improving infrastructure alongside any future development.”

Committee amendment:

To clarify the intent of the bill, the Committee may wish to consider the following amendments, which strike out the list of infrastructure that may be provided by an affordable housing authority and instead permit the authority to provide any public infrastructure necessary for an affordable housing development. The amendments are as follows:

- 1) On page 3, in line 13, strike out “(1)”
- 2) On page 3, in line 13, before “infrastructure” insert:
water, sewer, or other public
- 3) On page 3, in line 13, after “infrastructure” insert:
necessary
- 4) On page 3, in line 15 to line 18, strike out:

(2) For purposes of this subdivision, infrastructure includes, but is not limited to, streets, roads, sidewalks, sewer lines, water lines, power lines, and gas lines within one-quarter mile of the affordable housing development.

Related legislation:

AB 56 (Holden, Chapter 289, Statutes of 2017): Allowed the California Infrastructure and Economic Development Bank to fund housing-related infrastructure.

AB 1598 (Mullin, Chapter 746, Statutes of 2017): Created affordable housing authorities and set out specifications for their establishment and use by cities and counties.

AB 2 (Alejo, Chapter 319, Statutes of 2015): Created CRIAs and allowed them to use tax increment revenue to improve infrastructure, assist businesses, and support affordable housing in disadvantaged communities.

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

REGISTERED SUPPORT / OPPOSITION:

Support

American Society of Civil Engineers – Region 9
Non-Profit Housing Association of Northern California

Opposition

None on file

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