

Date of Hearing: June 18, 2014

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Ed Chau, Chair

SB 1033 (Torres) – As Introduced: February 14, 2014

SENATE VOTE: 34-0

SUBJECT: Housing element law and housing successor agencies

SUMMARY: Replaces housing element law references to "redevelopment housing funds" with "housing successor agency funds."

EXISTING LAW:

- 1) Requires redevelopment agencies (RDAs) to dissolve effective February 1, 2012, pursuant to the California Supreme Court's decision in *CRA v. Matosantos* (2011).
- 2) Establishes successor agencies to RDAs that would, except in certain situations, be the city, county, or city and county in the territorial jurisdiction of the former RDA. If no local agency elects to be the successor agency, a designated local authority is to be formed with three members appointed by the Governor.

(Health & Safety Code Section 34173)

- 3) Requires successor agencies to transfer a former RDA's housing assets and functions to "housing successors." Housing successors retain the housing assets, functions, and powers previously performed by an RDA, excluding any enforceable obligations retained by the successor agency.
- 4) Provides that the city, county, or city and county within the territorial jurisdiction of the former RDA may elect to act as the housing successor. If they do not elect to act as the housing successor, then the local housing authority is required to act as the housing successor. If there is no local housing authority, then the Department of Housing and Community Development (HCD) acts as the housing successor.
- 5) Provides that housing successors may, amongst other things, enforce affordability covenants and perform related activities pursuant to applicable provisions of Community Redevelopment Law (CRL).

(Health & Safety Code Section 34176)

- 6) Requires a jurisdiction's housing element to identify and analyze existing and projected housing needs, identify adequate sites with appropriate zoning to meet the housing needs of all income segments of the community, and ensure that regulatory systems provide opportunities for, and do not unduly constrain, housing development.

(Government Code Section 65583)

- 7) Requires, prior to each housing element revision, that each council of governments (COG), in conjunction with HCD, prepare a regional housing needs assessment (RHNA) and allocate to each jurisdiction in the region its fair share of the housing need for all income categories. Where a COG does not exist, HCD determines the local share of the region's housing need.

(Government Code Sections 65584-65584.09)

- 8) Requires housing elements to include an inventory of land suitable for residential development that identifies enough sites that can be developed for housing within the planning period to accommodate the jurisdiction's entire share of the RHNA.

(Government Code Sections 65583 and 65583.2)

FISCAL EFFECT: None.

COMMENTS:

Purpose of the bill: The housing element describes a city's or county's housing goals, the programs it will administer to achieve those goals, and the resources that it has and will use to implement those programs. With the demise of redevelopment, there are no redevelopment tax increment funds available for housing purposes, but housing successor agencies do receive limited program income from outstanding loans originally made by their communities' redevelopment agencies. This bill updates housing element law to reflect this change in available funding sources for housing.

Redevelopment agency dissolution: Historically, the Community Redevelopment Law allowed a local government to establish a redevelopment area and capture all of the increase in property taxes generated within the area (referred to as "tax increment") over a period of decades. The law required RDAs to deposit 20% of tax increment into a Low and Moderate Income Housing Fund (L&M fund) to be used to increase, improve, and preserve the community's supply of low- and moderate-income housing available at an affordable housing cost.

In 2011, as a result of serious budget shortfalls, the Governor proposed eliminating RDAs and creating a Voluntary Alternative Redevelopment Program (VARP) to replace them. Two pieces of budget trailer legislation, AB1X 26 (Chapter 5, Statutes of 2011-12 First Extraordinary Session) and AB1X 27 (Chapter 6, Statutes of 2011-12 First Extraordinary Session), were enacted to achieve this goal. AB1X 26 provided for the dissolution of RDAs and for the winding up of their obligations by successor agencies. AB1X 27 established VARP, which would have allowed RDAs to continue operations if their local city or county made voluntary annual payments benefitting schools, for the purpose of offsetting state education costs. In *CRA v. Matosantos* (2011), the California Supreme Court upheld the constitutionality of AB1X 26, but invalidated AB1X 27. This had the effect of dissolving RDAs without giving them the option of continuing operations by offsetting state education costs. As a result, all of the state's roughly 400 redevelopment agencies dissolved on February 1, 2012.

Housing Elements: Every local government is required to prepare a housing element as part of its general plan. The housing element process starts when HCD determines the number of new housing units a region is projected to need at all income levels (very low-, low-, moderate-, and

above-moderate income) over the course of the next housing element planning period to accommodate population growth and overcome existing deficiencies in the housing supply. This number is known as the regional housing needs assessment (RHNA). The COG for the region, or HCD for areas with no COG, then assigns a share of the RHNA number to every city and county in the region based on a variety of factors.

A housing element must identify and analyze existing and projected housing needs, identify adequate sites with appropriate zoning to meet its share of the RHNA, and ensure that regulatory systems provide opportunities for, and do not unduly constrain, housing development. Among other things, the element must specifically include an analysis of existing assisted housing developments that are eligible to convert to market-rate rental housing upon the expiration of affordability restrictions, and identify all public resources, including redevelopment agency tax increment funds, that are available to preserve the affordability of these housing units. In addition, the housing element must include a program of actions that the city or county will undertake to implement the policies and achieve the goals and objectives of the housing element through regulatory measures and the utilization of available public funding, including redevelopment agency tax increment funds. HCD reviews both draft and adopted housing elements to determine whether or not they are in substantial compliance with the law.

This bill updates housing element law references to redevelopment agency housing funds with a reference to housing successor agency funds.

Staff Comment: The author's office has indicated that this is a spot bill and may be used to address another unrelated policy issue. The Committee may wish to inquire what the author plans for this bill should it pass out of the Committee.

Double referred: If SB 1033 passes this committee, the bill will be referred to the Committee on Local Government.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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