
SENATE COMMITTEE ON HOUSING
Senator Nancy Skinner, Chair
2023 - 2024 Regular

Bill No: AB 930 **Hearing Date:** 7/2/2024
Author: Friedman
Version: 6/13/2024
Urgency: No **Fiscal:** Yes
Consultant: Alison Hughes

SUBJECT: Local government: infrastructure financing districts: Reinvestment in Infrastructure for a Sustainable and Equitable California (RISE) districts: housing development: restrictive covenants

DIGEST: This bill requires the Office of Planning and Research (OPR) to establish guidelines for local governments, as specified, to establish “Reinvestment in Infrastructure for a Sustainable and Equitable California” (RISE) districts, as specified.

ANALYSIS:

Existing law:

- 1) Authorizes local governments to create enhanced infrastructure financing districts (EIFDs) and to use tax increment financing to finance public capital facilities or other specified projects.
- 2) 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.
- 3) Authorizes the EIFD, among other things, to purchase, construct, or improve of real property or maintain of public facilities, as specified.
- 4) Requires a designated official to prepare a proposed EIFD plan, which shall contain, among other things, a financing section, as specified.
- 5) Requires the local government that created the EIFD to review the EIFD plan at least annually and authorizes the authority to make amendments as needed.

This bill:

- 1) Defines “local government” as including, but not limited to, a city, county, special district, affordable housing finance agency, or transit agency.
- 2) Defines “RISE district” as a regional, joint governance district formed pursuant to this chapter by two or more local governments.
- 3) Defines “sustainable and equitable development” as a development project that reduces disparities in urban, suburban, and rural communities and reduces vehicle miles traveled by supporting residents, specifically those that have been historically underserved and neglected, by providing for a range of affordable housing and transportation options, efficient access to a variety of jobs and services, and clean air quality. Sustainable and equitable developments are diverse and incorporate community input, values of inclusion, equal access to housing, opportunity, and diversity in our communities ensuring that all people, regardless of race, ethnicity, family status, or disability, have a range of choices for where to live now and in the future.

Guidelines

- 4) Requires OPR, by November 30, 2026 to develop guidelines for the formation of RISE districts. The guidelines shall establish requirements that compel RISE districts to:
 - a) Prioritize the production of new market rate and affordable housing targeted to a range of income levels and housing types. The guidelines shall encourage sustainable and equitable development in location-efficient areas adjacent to public transit investments, in order to reduce greenhouse gas emissions (GHGs), per capita vehicle miles traveled (VMT), and reinforcing community resilience.
 - b) Prepare a development plan, which shall comply with the following:
 - i) Require at least 50% of the funds to be spent on infill supportive infrastructure, as specified.
 - ii) Require at least 30% of the funds to be spent on residential units restricted to low- and moderate-income households and affordable for 55 years for rentals and 45 years for owner-occupied units, unless a local inclusionary ordinance or government funding program requires a specified affordability level.
 - iii) Requires the remaining funds be used for any lawful purpose that supports sustainable and equitable development.

- iv) Requires the development plan to prioritize occupancy of housing to those living within two miles of the development, to those displaced from the district, those employed within two miles of the project, or to those with an extended family member within two miles of the housing project.
- c) Provide financing for affordable housing.
- d) Annually report on progress to meeting the affordable housing requirements.
- e) Require all projects receiving funds from the RISE district to comply with at least one of the following:
 - i) The development shall be located within one-half mile of an existing or planned major transit stop.
 - ii) At least 75% of the perimeter of the site adjoins parcels that are developed for urban uses.
 - iii) The project is a transit project.
- f) Prohibits a RISE district from doing any of the following:
 - i) Finance services of any kind.
 - ii) Use the proceeds of bonds issued to finance the costs of maintenance or ongoing operations of any kind, except for capitalized reserves for ongoing rent subsidies.
 - iii) Acquire property by eminent domain.

Anti-demolition & relocation assistance provisions

- 5) Requires the following related to the removal or destruction of existing housing units:
 - a) Any units occupied by very low-, low-, or moderate income households in the last five years shall be replaced within ½ mile of the existing units that have an equal or greater number of bedrooms as those removed or destroyed within two years of the removal of those units. New units shall be offered at an affordable rent to the same income category as the removed or destroyed dwelling units.
 - b) If the removed or destroyed units were not occupied in the last five year, the RISE district shall require at least one unit but not less than 25% of the units to be replaced within ½ mile of the location of the original units. The new units shall be of equivalent size and type.
 - c) Prohibits the removal or demolition of any units occupied by very low-, low- or moderate-income households shall unless there has been full compliance with specified relocation assistance provisions.

RISE district formation and governing board

- 6) Authorizes two or more legislative bodies that levy property taxes to jointly form RISE district for purposes of planning, financing, and facilitating supportive infrastructure to spur equitable development comprised of affordable housing and economic development in location-efficient areas that meet goals set out in an adopted sustainable communities strategy to reduce carbon emissions and VMT.
- 7) Authorizes an existing EIFD, CRIA, infrastructure financing district, climate resilience district, or other TIF district to form or combine incentives and expand into a RISE district.

RISE Development Plan

- 8) Requires the governing body that forms the RISE district to prepare a RISE development Plan that ensures that the RISE district is consistent with priority development areas in an adopted SCS, any applicable planning guidelines, and other requirements under state law, including those guidelines developed by OPR.
- 9) Requires the RISE development plan to include the identification of the sources of funding for projects in the RISE district and the identification of any tools or authority needed to implement the RISE development plan.
- 10) Establishes the process for the adoption of the RISE development plan.

Annual reporting and audits

- 11) Requires a RISE district to adopt an annual report on or before June 30 each year, as specified.
- 12) Requires the annual report to include the following information:
 - a) A description of the projects undertaken in the fiscal year, including any rehabilitation of structures, and a comparison of the progress expected to be made on those projects compared to the actual progress.
 - b) A chart comparing the actual revenues and expenses, including administrative costs, of the RISE district to the budgeted revenues and expenses.
 - c) The amount of tax increment revenues received.

- d) An assessment of the status regarding completion of the RISE district's projects.
- e) The amount of revenues expended to assist private businesses.

13) Requires a RISE district to prepare an annual expenditure plan that identifies and describes the operations and eligible projects undertaken by the district. The RISE district shall also prepare and adopt an annual operating budget and capital improvement budget, as specified, as well as provide for regular audits.

Additional Provisions

14) Authorizes a RISE district to issue bonds, as specified.

15) Requires a project financed with RISE district funds to meet specified labor standards.

16) Grants powers afforded to EIFDs, as well as, but not limited to, the following:

- a) Funding the acquisition and construction of housing, infill supportive infrastructure, and any other project permitted under a RISE development plan with a useful life of 15 years or longer
- b) The planning and design work that is directly related to the purchase, construction, expansion, or rehabilitation of the properties in (i).
- c) Establish and impose any of the revenue generating activities eligible to be included in a RISE development plan.
- d) Apply for and receive grants from federal and state agencies.
- e) Solicit and accept gifts, fees, grants, and allocations from public and private entities.
- f) Incur general obligation bonded indebtedness for the acquisition or improvement of real property or for funding or refunding of any outstanding indebtedness, subject to any applicable constitutional requirements.
- g) Receive and manage a dedicated revenue source.

RISE District Revolving Loan Fund

17) Provides that the California Infrastructure and Economic Development Bank (IBank), upon appropriation of the Legislature, the IBank shall establish the RISE revolving loan fund, the purpose of which is to provide RISE districts with initial startup funding for projects contained within the development plan.

18) Requires the IBank to award flexible, low-cost credit support startup loans to RISE districts based on the following criteria:

- a) The IBank shall award loans to a RISE district in an amount deemed necessary to fund the initial projects of the RISE district, as provided in the district's RISE development plan.
- b) The IBank shall review applications on a noncompetitive basis and award loans for projects that have met thresholds until total amount of funds are expended.

COMMENTS:

- 1) *Author's statement.* "Many local governments would like to boost investment in infrastructure and transit-oriented infill development, however, they lack access to funding and projects are not economically feasible due to lack of available land, high infrastructure costs, weak market comps and expensive and risky entitlement processes.

In 1945 California enacted the Community Redevelopment Act to assist local governments in eliminating blight through development. This program allowed redevelopment agencies to use state and local incremental property tax to support redevelopment. The program was successful in eliminating blight and resulted in thousands of new housing units over the course of its 67 year history. On February 1, 2012 Redevelopment agencies were dissolved.

AB 930 would permit two or more local governments to jointly form a Reinvestment in Infrastructure for a Sustainable and Equitable California (RISE) district to unlock tax increment financing for infrastructure, affordable housing and equitable development in location-efficient areas. RISE District plans will align with Metropolitan Planning Organization's Sustainable Communities Strategies while targeting infrastructure investments that supports equitable development in existing community centers while reducing car dependence, lowering carbon emissions, and encouraging economic development and climate resilient housing production near transit in walkable communities."

- 2) *Tax increment financing (TIF).* According to Governor's Office of Planning and Research (OPR), TIF is a mechanism used to fund and finance public facilities and other improvements, often in infill locations where up-front investments are needed to enable real estate development.¹ TIF captures incremental growth in tax revenues (usually property tax, although other types of revenue can also be collected) above and beyond what taxing entities receive

¹ Office of Planning and Research. *Housing Financing Tools and Equitable, Location-Efficient Development in California: Report on the Use of Tax Increment Financing.* (December 29, 2020)
https://www.opr.ca.gov/docs/20210203-TIF_Tools_Final_Report.pdf

within a designated area. TIF revenues are typically used to pay back upfront costs or debt service for bonds issued to fund improvements such as infrastructure and other public facilities that are needed to facilitate private investment. TIF can play an important role in providing funding for affordable housing. Historically, TIF was a financing tool used by local redevelopment agencies (RDAs). While they were active, RDAs enjoyed broad powers and often played a role in encouraging infill and TOD. RDAs were also an important local source of funding for affordable housing, because state law required RDAs to set aside 20% of revenues for that purpose. RDAs were dissolved by the state in 2012, partly due to concerns about how TIF revenues were being used (*ie* not meeting their obligations to fund affordable housing).

- 3) *Alphabet soup: IFDs, EIFDs, IRFDs, CRIAs, AHAs, NIFTIs, and NIFTI-2s.* Since the dissolution of RDAs, the Legislature has created numerous new TIF tools to authorize local governments to raise revenues to finance local infrastructure. Below is a chart summarizing the various available TIF tools.

TIFs + Enabling Legislation	Location Reqs	Rev Sources	Affordable Housing Reqs	Expenditures	Number Created
Infrastructure Financing Districts (IFD), SB 208 (Seymour, Chapter 1575, 1990)	None	Property tax increment	None	Capital improvements only, such as highways, transit, water systems, sewer projects, flood control, childcare facilities, libraries, parks, and solid waste	2
Enhanced Infrastructure Financing Districts (EIFD), SB 628 (Beall, Chapter 785, 2014)	None	Property tax increment, increment from property tax in-lieu of vehicle license fees	None	Purchase, construction, or improvement of real property; can be used for maintenance of public facilities, as specified	5
Infrastructure and Revitalization Financing District (IRFD), AB 229 (Perez, Chapter 775, 2014)	None	Property tax increment	None	Same as IFDs plus watershed lands, flood management, brownfield restoration and other environmental mitigation, purchase of real property, housing acquisition or construction, commercial acquisition or construction, and repayment transfer funds into a military base reuse authority	0

Community Revitalization and Infrastructure Authority (CRIA), AB 2 (Alejo, Chapter 319, 2015)	Disadvantaged communities, as specified, or an area within a former military base, as specified.	Property tax increment, increment from property tax in-lieu of vehicle license fees	25% for affordable housing	Wide range of capital improvements within its boundaries	0
Affordable Housing Authorities, AB 1598 (Mullin, Chapter 764, 2017)	None	Property tax increment, increment from property tax in-lieu of vehicle license fees, sales and use tax increment	95% for increasing and preserving affordable housing, as specified.	Financing low- and moderate-income housing, including supportive and transitional housing.	0
Neighborhood Infill Finance and Transit Districts (NIFTI), AB 1568 (Bloom, Chapter 562, 2017)	Qualified infill site	Property tax increment, increment from property tax in-lieu of vehicle license fees, sales and use tax increment	20% of revenues for acquisition, rehabilitation or construction of affordable housing; 20% for all housing to be affordable	Wide range of capital improvements and affordable housing	0
Second Neighborhood Infill Finance and Transit Districts (NIFTI-2), SB 961 (Allen, Chapter 559, 2018)	Qualified infill site and within 1/2 mile of a major transit stop	Property tax increment, increment from property tax in-lieu of vehicle license fees, sales and use tax increment	40% of revenues must be spent on affordable housing; 50% of affordable housing funds for households below 60% AMI and 50% for households below 30% AMI		0

4) *OPR reports.* SB 961 (Allen, Chapter 559, Statutes of 2018) required OPR to, on or before January 1, 2021, complete a study and make recommendations on (1) the effectiveness of TIFs, (2) the relative advantages and disadvantages of different types of TIF tools, and (3) the impacts of extending NIFTI-2s to areas around bus stops, including segregated bus lanes. The first report identified several key limitations current TIF districts share:

- a) They have limited revenue potential to make district formation worthwhile. This is because current TIFs do not take increment from the school share of the property tax, unlike RDAs, which were backfilled by the General Fund. As a result, current TIFs generate significantly less money than RDAs.

- b) Unlike redevelopment where taxing entity participation was mandatory, current TIF districts rely on volunteer participation;
- c) They have limited powers compared to RDAs; and
- d) Some technical challenges interfere with their development.

The reports found that despite the multitude of TIF tools available for local agencies to choose from, only five EIFDs had been created by the end of 2020: Otay Mesa (San Diego County), Placentia (Orange County), La Verne (Los Angeles County), West Sacramento (Yolo County), and Sacramento (Sacramento County).² Of these five, only the Placentia and La Verne EIFDs will include County participation. Within the EIFDs created, the total housing anticipated is around 38,000 units; the report notes that while the funds will not fund affordable housing, some will indirectly help to enable affordable housing, either by providing supportive infrastructure or through the use of an inclusionary housing requirement. To overcome these challenges and encourage the creation of more TIF districts, OPR recommended changes to EIFD law, several of which were adopted by SB 780 (Cortese, Chapter 391, Statutes of 2021).

- 5) *RISE to the rescue*. This bill creates a new TIF tool, RISE districts. Specifically, this bill allows cities and counties to create a RISE district to finance sustainable and equitable development projects through TIF. The measure requires OPR to develop guidelines for forming RISE districts no later than November 30, 2026. The guidelines must encourage sustainable and equitable infill development to further specified climate goals. Additionally, the RISE must spend at least 50% of its total funds on infill supportive infrastructure, and spend at least 30% of its total funds on residential units restricted to low or moderate income households, as provided. Any remaining funding may be used for any lawful purpose that supports sustainable and equitable development. This bill also spells out specific anti-demolition/relocation assistance provisions, RISE district formation and governing board requirements, RISE development plan, and annual reporting and auditing provisions.
- 6) *RISE revolving loan fund*. Unlike other TIF tools, this bill establishes a revolving loan fund, upon appropriation by the Legislature, at the IBank to provide RISE districts with flexible, low-cost, credit support startup loans for their projects. IBank must award funds to all projects that have met thresholds until exhausting all funds. The IBank must establish standard loan terms, and adopt regulations as necessary to carry out the loan program. These funds

² The report points out that two IFDs were created, but these were created under unique circumstances prior to the end of redevelopment

could help RISE districts generate more funding overall to spur development.

- 7) *Opposition.* This bill is opposed by the California Teachers Association. “While education funding has recently increased, California’s education system has been underfunded for decades. The elimination of redevelopment agencies was stirred in large part by a desire to increase schools’ share of local property tax revenue, which remains stable even when General Fund revenues decline. While we support finding solutions to the state’s affordable housing crisis, CTA remains concerned with redirecting local property tax revenues, our most stable funding source, away from schools and community colleges.”
- 8) *Incoming!* This bill was heard in Local Government Committee on June 11, 2024 and passed on a 5-2 vote.

RELATED LEGISLATION:

SB 780 (Cortese, Chapter 391, Statutes of 2021) — made several changes to EIFDs and CRIAs.

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

POSITIONS: (Communicated to the committee before noon on Wednesday, June 26, 2024.)

SUPPORT:

California Infill Builders (Co-Sponsor)
CivicWell (Co-Sponsor)
San Francisco Bay Area Planning and Urban Research Association (SPUR) (Co-Sponsor)
Abundant Housing LA
California Community Builders
Circulate San Diego
City of South Lake Tahoe
Council of Infill Builders
County of Monterey
East Bay YIMBY
Endangered Habitats League
Grow the Richmond
Housing Action Coalition
How to ADU
Lake Tahoe Chamber of Commerce
LeadingAge California

Mountain View YIMBY
Napa-Solano for Everyone
Northern Neighbors
Peninsula for Everyone
People for Housing Orange County
Progress Noe Valley
San Diego Housing Federation
San Francisco YIMBY
San Luis Obispo YIMBY
Santa Cruz YIMBY
Santa Rosa YIMBY
South Bay YIMBY
Southside Forward
Streets for People
The Two Hundred
Urban Environmentalists
Ventura County YIMBY
YIMBY Action

OPPOSITION:

California Teachers Association
1 Individual

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