

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: July 2, 2019

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 19-0002-S124/
19-0002-S123
Assignment No: 19-06-0705

SUBJECT: Resolutions (Koretz–Harris-Dawson) and (Cedillo–Huizar) to SUPPORT SB 5 (Beall).

CLA RECOMMENDATION: Adopt Resolutions (Koretz–Harris-Dawson) and (Cedillo–Huizar) to include in the City’s 2019-2020 State Legislative Program SUPPORT of SB 5 (Beall), which would authorize cities, among other entities, to apply to the State for property tax funding held within the subject county’s Educational Revenue Augmentation Fund, with such funding to be used to support affordable housing and community development projects.

SUMMARY

Resolutions (Koretz–Harris-Dawson) and (Cedillo–Huizar), introduced on June 26, 2019, state that nearly 130,000 men, women, and children are experiencing homelessness in California, 25 percent of the entire nation’s homeless population. Pointing to the major factors of high housing costs and underproduction of housing units, the Resolutions state that California has a 1.5 million unit shortage of housing available to the lowest income households, who are most at risk of becoming homeless. SB 5 (Beall) would establish the Affordable Housing and Community Development Investment Program to encourage the development of affordable housing statewide. The bill would allow the reallocation of property tax revenue from the Educational Revenue Augmentation Fund (ERAF) to be used for the development and construction of affordable housing and community development projects. The Resolutions affirm that SB 5 will open new resources to fund affordable housing and community development projects in the City that are urgently needed as the City and State work to house the most vulnerable populations and prevent homelessness. As SB 5 would create an important tool to stimulate construction of much-needed affordable housing community development projects, the Resolutions call on the City to support SB 5.

BACKGROUND

Community Redevelopment Agencies (CRAs) in California were established in 1945. Under redevelopment law, cities and counties were able to declare project areas as blighted and in need of renewal. Through tax-increment financing, the growth in property tax revenue over the base year for specific project areas that would have normally been distributed to a city’s general fund, school district, or other special districts was instead retained by a redevelopment agency for use in that specific project area.

Proposition 98 guarantees a minimum level of funding for public schools and community colleges. For school districts that do not receive the minimum level of funding from local property taxes, the State makes up the difference. In 1992-93 and 1993-94, in response to serious budgetary shortfalls, the State permanently redirected nearly 20 percent of all statewide property tax revenue to K-12 and community college districts via countywide funds for schools, named Educational Revenue Augmentation Funds (ERAF).

In 2011, CRAs were dissolved. At the time of dissolution, over 400 agencies were diverting 12 percent of statewide property taxes, over \$5.6 billion yearly, of which \$1 billion was invested into affordable housing. The end of redevelopment eliminated the primary tool used by many cities to eliminate physical and economic blight, finance new construction, improve public infrastructure, rehabilitate existing buildings, and increase the supply of affordable housing. Redevelopment law had required agencies to set-aside 20 percent of funding to be used for affordable housing.

SB 5 establishes the Affordable Housing and Community Development Investment Program, which would be administered by a committee comprised of nine state department representatives and legislative appointees. A city, county, city and county, joint powers agency, enhanced infrastructure financing district, affordable housing authority, community revitalization and investment authority, transit village development district, or a combination of those entities could apply for local ERAF funding for the following uses:

- a) Construction of affordable housing, defined as units affordable to households earning up to 120 percent of area median income;
 - i. 50 percent of the overall program funding and 50 percent of each plan is restricted to affordable housing. Of the this set-aside, 80 percent must be used for households earning up to 80 percent AMI, with the remaining funding for households earning up to 120 percent AMI.
 - ii. 55 year affordability restriction for rental housing, 45 year for owner-occupied.
- b) Transit-oriented development in priority locations that maximize density and transit use and contribute to the reduction of vehicle miles traveled and greenhouse gas emissions;
- c) Infill development to assist in the construction or rehabilitation of infrastructure that supports high-density, affordable, and mixed-income housing in areas designated as infill, as specified;
- d) Promoting strong neighborhoods through supporting local community planning and engagement efforts to revitalize and restore neighborhoods, including housing infrastructure and public facilities, as specified; and
- e) Protecting communities from the effects of climate change, including the construction, repair, replacement, and maintenance of infrastructure.

SB 5 caps the amount of ERAF funding the Committee can approve for these uses to no more than \$200 million statewide in any year from July 1, 2021, to June 30, 2026, and no more than \$250 million in any year from July 1, 2026, to June 30, 2030. By diverting a portion of the ERAF, the bill would reduce the amount of local property tax revenue for schools, however, the State General Fund would backfill this difference.

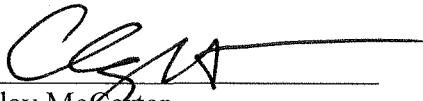
Should SB 5 become law, the City of Los Angeles would have a new funding source for affordable housing, infrastructure, and economic development projects. The City would additionally have the option of applying for funds using a joint powers authority, enhanced infrastructure financing district (EIFD), or community revitalization and investment authority (CRIA). SB 5 provides resources to address the City's affordable housing and economic development needs, and should be supported.

DEPARTMENTS NOTIFIED

N/A

BILL STATUS

06/17/19	Amended
06/10/19	Referred to Coms. on H. & C.D. and L. GOV.
05/29/19	Passed. Ordered to the Assembly.
05/20/19	From committee: Do pass as amended.
04/23/19	Amended.
04/04/19	From committee: Do pass as amended and re-refer to Com. on APPR.
03/20/19	From committee: Do pass as amended and re-refer to Com. on HOUSING.
03/18/19	Amended.
01/24/19	Referred to Coms. on GOV. & F. and HOUSING.
12/03/18	Introduced.


Clay McCarter
Analyst

Attachment: Resolutions (Koretz-Harris-Dawson/Cedillo-Huizar)

RESOLUTION

RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, it is estimated that nearly 130,000 men, women, and children are experiencing homelessness in California, 25 percent of the entire nation's homeless population; and

WHEREAS, a major factor for the State's homeless crisis is high housing costs and underproduction of housing units; and

WHEREAS, according to the California Department of Housing and Community Development, California has a 1.5 million unit shortage of housing available to the lowest income households, who are most at risk of becoming homeless; and

WHEREAS, the dissolution of redevelopment agencies resulted in the loss of \$1 billion annually in funding towards the construction of affordable housing; and

WHEREAS, Senate Bill 5 (Beall) would establish the Affordable Housing and Community Development Investment Program and would authorize a city, county, city and county, joint powers agency, enhanced infrastructure financing district, affordable housing authority, community revitalization and investment authority, transit village development district, or a combination of those entities to apply to the State for property tax funding held within the subject county's Educational Revenue Augmentation Fund (ERAF), with such funding to be used to support affordable housing and community development projects; and

WHEREAS, ERAF funding available Statewide for this program would be capped at \$200 million annually from 2021-2026 and \$250 million from 2026-2030; and

WHEREAS, SB 5 will open new resources to fund affordable housing and community development projects in Los Angeles that are desperately needed as the City and State work to house the most vulnerable populations and prevent homelessness;

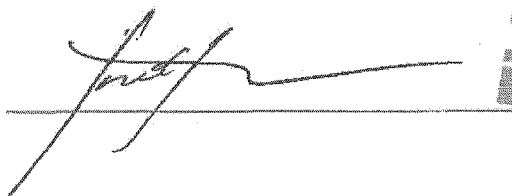
NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 State Legislative Program SUPPORT of Senate Bill 5 (Beall) which would authorize cities, among other entities, to apply to the State for property tax funding held within the subject county's Educational Revenue Augmentation Fund, with such funding to be used to support affordable housing and community development projects.

PRESENTED BY:



GILBERT A. CEDILLO
Councilmember, 1st District

SECONDED BY:



ORIGINAL

JUN 26 2019

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RESOLUTION

RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the State and region are currently in the grip of a severe affordable housing shortage which has led to escalating housings costs, displacement, evictions, and homelessness; and

WHEREAS, the California Housing Partnership and the Southern California Association of Nonprofit Housing has determined that 568,255 new affordable housing units are needed to meet demand in Los Angeles County; and

WHEREAS, while the City has experienced increases in the construction of market-rate housing, the availability of housing that is affordable to middle and lower-income residents continues to decrease; and

WHEREAS, the City must do everything possible to incentivize the building of affordable housing to stem rising housing costs for City residents; and

WHEREAS, currently before the Legislature is SB 5 (Beall) which would establish the Affordable Housing and Community Development Investment Program (Program) to encourage the development of affordable housing statewide; and

WHEREAS, the bill would allow the reallocation of property tax revenue from the Educational Revenue Augmentation Fund (ERAF) to be used for the development and construction of affordable housing; \$200 million per year would be available from July 1, 2021 to June 30, 2026, and \$250 million would be available from July 1, 2026 to June 30, 2030; and

WHEREAS, the bill specifies that such transfers from the ERAF would have no net fiscal impact upon the total amount of General Fund revenue allocated to schools; and

WHEREAS, SB 5 would create an important tool to stimulate construction of much-needed affordable housing statewide for hard-working families, and should be supported;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-20 State Legislative Program SUPPORT for SB 5 (Beall), which would establish the Affordable Housing and Community Development Investment Program to stimulate the development of affordable housing statewide.

PRESENTED BY: Paul Koretz
PAUL KORETZ
Councilmember, 5th District

SECONDED BY: [Signature]

JUL 26 2019