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Councilmember Dan Kalb

CITY OF OAKLAND

CITY HALL - ONE FRANK H. OGAWA PLAZA, 2ND FLOOR - OAKLAND - CALIFORNIA 94612

Agenda Memorandum

To: Rules & Legislation Committee

From: Councilmember Dan Kalb

Date: March 2, 2017

Subject: Support of SB 711: Local-State Sustainable Investment Incentive Program

Colleagues on the City Council and Members of the Public,

With our Resolution of Support for SB 711 (Hill), I am submitting the attached Fact Sheet and text of the bill.

Respectfully submitted,

A handwritten signature in cursive script that reads "Dan Kalb".

Dan Kalb, Councilmember

17 MAR -2 PM 2:32

DRAFT

City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

INTRODUCED BY COUNCILMEMBER DAN KALB

RESOLUTION IN SUPPORT OF SENATE BILL 711 (HILL) THAT WOULD ESTABLISH A SIX-YEAR PILOT PROGRAM AUTHORIZING THE STRATEGIC GROWTH COUNCIL TO APPROVE REDUCTIONS IN REQUIRED PROPERTY TAX CONTRIBUTIONS TO THE EDUCATIONAL REVENUE AUGMENTATION FUND IN ORDER FOR LOCAL GOVERNMENTS TO USE THE FUNDS ON PROJECTS FOR AFFORDABLE HOUSING, DISADVANTAGED COMMUNITIES, AND OTHER APPROVED USES

WHEREAS, the dissolution of Redevelopment in 2011 has left cities and counties with few options to develop infrastructure, revitalize communities, and aid in the development of affordable housing; and

WHEREAS, while several new tools, including Enhanced Infrastructure and Finance Districts and Community Revitalization Investment Authorities, have been established, they lack the concentrated financial lift offered by the former redevelopment tool; and

WHEREAS, there is a housing affordability crisis in California, especially in the Bay Area, and, as of 2015, average California home prices were two-and-a-half times higher than average national home prices and four out of the five metropolitan areas with least affordable rental markets nationwide continue to be in California; and

WHEREAS, facing significant budget deficits in the early 1990's, legislation was adopted to require property tax shares to be shifted from cities, counties and special districts to local Educational Revenue Augmentation Funds (ERAF), under the rationale that ERAF enabled the state to back out funding under Prop. 98 dollar-for-dollar; and

WHEREAS, the value of annual contributions from cities, counties and special districts to ERAF has grown exponentially over time and now totals \$7.5 billion annually; and

WHEREAS, Senate Bill (SB) 711 (Hill) authorizes the Strategic Growth Council (SGC) to approve a decrease in required property tax payments otherwise deposited

into an Educational Revenue Augmentation Fund (ERAF) for local agencies seeking assistance with an approved project that would result in advancing important state goals such as affordable housing production; and

WHEREAS, SB 711 includes requirements for substantial program oversight, reporting, and criteria, and caps SGC funding authority at \$10 million annually statewide; and

WHEREAS, SB 711 is supporting by the California League of Cities; now, therefore, be it

RESOLVED: That the Oakland City Council hereby endorses SB 711 and urges the California State Legislature and Governor Jerry Brown to support its enactment into law.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLÉN, KALB, KAPLAN, AND PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California



Senator Jerry Hill, 13th Senate District

SB 711 – Local-State Sustainable Investment Incentive Program

17 MAR -2 PH 2: 38

IN BRIEF

SB 711 will help enable the development of projects that advance affordable housing production and transit-oriented development (TOD) by establishing a six-year pilot project to enable the Strategic Growth Council to review and approve reductions in city and county property tax contributions to Educational Revenue Augmentation Funds (ERAF).

PROBLEM

Local governments have limited access to sustainable economic development tools that provide sufficient financial resources to complete large-scale transit-oriented development, infrastructure and affordable housing. Absent sufficient resources, many projects that move forward will likely be developed at reduced density with less affordable housing than desired, resulting in missed opportunities to fully maximize infill locations near transit that can help the state achieve its greenhouse gas reduction goals.

BACKGROUND

As a result of redevelopment dissolution in 2011, cities and counties have been left with few options to develop infrastructure, revitalize communities, and aid in the development of affordable housing.

While several new tools including, Enhanced Infrastructure and Finance Districts (EIFD) and Community Revitalization Investment Authorities (CRIA) have been established, they lack the concentrated financial lift offered by the former redevelopment tool. Left unaddressed, this financing gap presents real challenges for the future development of infill urban areas and avoiding continued sprawl onto open lands where it is easier to develop.

California faces an affordable housing crisis. As of 2015, average California home prices were two-and-a-half times higher than average national home prices. Four out of the five metropolitan areas least affordable rental markets nationwide continue to be in California.

Given the state’s lack of affordable housing and its aggressive greenhouse gas (GHG) and vehicle miles traveled (VMT) reduction goals, maximizing infill development opportunities matter more than ever.

When it comes to such policies ‘What’ is developed and ‘Where’ it is located is critical.

Facing significant budget deficits in the early 1990’s, legislation required property tax shares to be shifted from cities, counties and special districts to local Educational Revenue Augmentation Funds (ERAF). The state’s rationale for ERAF was that it enabled the state to back out funding under Prop. 98 dollar-for-dollar. The value of annual contributions from cities, counties and special districts to ERAF has grown exponentially over time and now totals \$7.5 billion annually. If local agencies could obtain state approval to reduce their contributions and redirect these dollars to infill projects, it would be a “win-win” for advancing state-local development policies and climate goals.

THE SOLUTION

SB 711 authorizes the Strategic Growth Council (SGC) to approve a decrease in required property tax payments otherwise deposited into an Educational Revenue Augmentation Fund (ERAF) for local agencies seeking assistance with an approved project that would result in advancing important state goals such as affordable housing production, GHG and VMT reductions and transit-oriented development. The bill includes requirements for substantial program oversight, reporting, and criteria, and caps SGC funding authority at \$10 million annually statewide.

SUPPORT

League of California Cities

FOR MORE INFORMATION

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17 MAR -2 PM 2:39

SENATE BILL

No. 711

Introduced by Senator Hill

February 17, 2017

An act to add and repeal Article 5.5 (commencing with Section 63047.55) of Chapter 2 of Division 1 of Title 6.7 of the Government Code, relating to infrastructure finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 711, as introduced, Hill. Infrastructure finance: Local-State Sustainable Investment Incentive Program.

Existing law establishes in state government the Strategic Growth Council, which is responsible for taking various actions related to supporting the planning and development of sustainable communities, including actions to reduce greenhouse gas emissions, promote water conservation, reduce fuel consumption, encourage infill development, and revitalize urban centers.

Existing law authorizes certain local agencies to form community revitalization and investment authorities within community revitalization and investment areas, as defined, to carry out provisions of the Community Redevelopment Law related to infrastructure, affordable housing, and economic revitalization.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, subject to certain modifications. Existing law requires an annual reallocation of property tax revenue from local agencies in each county to the Educational Revenue Augmentation Fund (ERAF) in that county for allocation to specified educational entities.

The Bergeson-Peace Infrastructure and Economic Development Bank Act establishes the Infrastructure and Economic Development Bank

within the Governor's Office of Business and Economic Development. The bank is authorized, among other things, to issue bonds, approve the issuance of certain bonds, invest moneys, and make loans.

This bill, until January 1, 2025, would establish in state government the Local-State Sustainable Investment Incentive Program, which would be administered by the Strategic Growth Council. The bill would authorize cities, counties, city and counties, enhanced infrastructure financing districts, and community revitalization and investment authorities to apply to the Strategic Growth Council to participate in the program and would authorize the council to approve applications for projects meeting specific criteria on and after July 1, 2018.

The bill would require the Strategic Growth Council to adopt policies and procedures and approve no more than \$10 million per year in reductions in annual ERAF contributions for applicants for projects approved through this program. The projects that could be eligible for funding would include, among others, projects providing facilities or services within a disadvantaged community and affordable housing projects.

The bill would require the Strategic Growth Council to circulate application materials and related analysis to the Department of Finance and the State Infrastructure and Economic Development Bank for review and would authorize the council to require the applicant to reimburse it, the department, and the bank for reasonable costs of review.

The bill would require the Strategic Growth Council, upon approval of a project application, to issue an order directing the county auditor to reduce the total amount of ad valorem property tax revenue otherwise required to be contributed to the county's ERAF from the applicant by the annual reduction amount approved. The bill would require a city or county, if the applicant is an enhanced infrastructure financing district or community revitalization investment authority, to transfer to the district or authority an amount of property tax revenue equal to the reduction amount approved by the Strategic Growth Council. The bill would authorize applicants to use approved amounts to incur debt or issue bonds or other financing to support the project.

The bill also would require each applicant that has received funding to submit annual reports, as specified, and would require the Strategic Growth Council to provide a report to the Joint Legislative Budget Committee that includes certain project information. By imposing additional duties on local officials, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The goals of the Local-State Sustainable Investment
- 4 Incentive Program, as established by this act, are to maximize
- 5 opportunities to expand the availability of affordable housing,
- 6 encourage active transportation, support greater infill and compact
- 7 development, reduce greenhouse gas emissions and vehicle miles
- 8 traveled, and assist local entities in the planning of sustainable
- 9 communities.
- 10 (b) The enactment of this program will further important state
- 11 public policies and goals through local government projects that
- 12 local agencies are willing to approve but lack adequate funding
- 13 for, including, but not limited to, projects to do the following:
- 14 (1) Reduce greenhouse gas emissions.
- 15 (2) Increase affordable housing or the number of affordable
- 16 units available to very low, lower, and moderate-income families.
- 17 (3) Result in increased densities of housing or mixed-use
- 18 projects, thereby reducing development and housing costs.
- 19 (4) Increase high-quality jobs through the rehabilitation,
- 20 construction, and maintenance of infrastructure that supports
- 21 economic development.
- 22 (5) Improve the quality of life in disadvantaged communities.
- 23 (c) In recent years, the voters have approved significant
- 24 augmentations in state revenue to support schools via the passage
- 25 of Propositions 30 and 55, thus providing stability to school
- 26 funding.
- 27 (d) The purpose of this act is to create a program whereby the
- 28 Strategic Growth Council, after appropriate analysis, may approve

1 a reduction in the amount of annual property tax revenue that an
2 applicant local agency would otherwise be required to contribute
3 to an Educational Revenue Augmentation Fund (ERAF), based
4 upon a determination that the approved reduction would result in
5 projects that would maximize important greenhouse gas reductions,
6 affordable housing, or other policy benefits.

7 SEC. 2. Article 5.5 (commencing with Section 63047.55) is
8 added to Chapter 2 of Division 1 of Title 6.7 of the Government
9 Code, to read:

10

11 Article 5.5. Local-State Sustainable Investment Incentive
12 Program
13

14 63047.55. There is in state government the Local-State
15 Sustainable Investment Incentive Program, which shall be
16 administered by the Strategic Growth Council.

17 63047.60. (a) A city, county, city and county, enhanced
18 infrastructure financing district, or community revitalization and
19 investment authority may file an application with the Strategic
20 Growth Council to participate in the program established by
21 Section 63047.55.

22 (b) The Strategic Growth Council shall adopt policies and
23 procedures for the receipt and evaluation of applications submitted
24 pursuant to subdivision (a).

25 (c) The Strategic Growth Council shall establish annual priorities
26 and may approve in the aggregate no more than ten million dollars
27 (\$10,000,000) per year in annual ERAF reductions for projects
28 approved through this program.

29 63047.65. For purposes of this article, the following definitions
30 apply:

31 (a) "Affordable housing" includes housing developments, or
32 portions of housing developments, that provide workforce housing
33 affordable to households earning up to 150 percent of countywide
34 median income, and housing developments, or portions of housing
35 developments, that provide housing affordable to "lower," "low,"
36 "very low," or "extremely low" income households, as those terms
37 are defined in state law.

38 (b) "Community revitalization and investment authority" has
39 the same meaning as contained in Section 62001.

1 (c) “Disadvantaged community” has the same meaning as
2 contained in Section 39711 of the Health and Safety Code.

3 (d) “Enhanced infrastructure finance district” has the same
4 meaning as contained in subdivision (f) of Section 53398.51.

5 (e) “ERAF” means an Educational Review Augmentation Fund
6 as described in Article 3 (commencing with Section 97) of Chapter
7 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code.

8 (f) “Project” shall include, but not be limited to, any of the
9 following:

10 (1) Public infrastructure necessary for the development of a
11 transit priority project.

12 (2) A project that provides facilities or services within a
13 disadvantaged community.

14 (3) An infrastructure project that implements the state’s priorities
15 as determined pursuant to subdivision (c) of Section 63047.60.

16 (4) A project that provides affordable housing.

17 (g) “Transit priority project” has the same meaning as contained
18 in Section 21155 of the Public Resources Code.

19 63047.70. (a) An application to participate in the program
20 established pursuant to Section 63047.55 shall include, in the
21 manner prescribed by the Strategic Growth Council, all of the
22 following information:

23 (1) A description of the project to be completed by the applicant.

24 (2) A description of the housing or commercial development
25 that the project seeks to support.

26 (3) A verification that the affordable housing or other
27 development that the project seeks to support is located on a parcel
28 that is zoned for the type of development proposed for that parcel.

29 (4) A description of how the project will further local and
30 statewide policy goals and objectives, including how the project
31 may complement other previous or proposed state or local
32 investments in infrastructure or services.

33 (5) An economic and policy analysis, paid for by the applicant
34 and prepared by an individual or entity approved by the Strategic
35 Growth Council, that includes the following information as it
36 pertains to the application:

37 (A) The estimated cost of providing services or facilities by the
38 project.

39 (B) The estimated revenue available to provide services or
40 facilities by the project.

1 (C) Identification of the public resources available to invest in
2 the project or the services or facilities needed by the project, as
3 proposed.

4 (D) The amount of the reduction in its ERAF contribution
5 requested by the applicant local agency to complete the project or
6 the services or facilities needed by the project, as proposed.

7 (E) An analysis of whether the project, as proposed, is as
8 follows:

9 (i) Financially feasible, with the requested reduction of the
10 applicable local agencies' annual ERAF contribution.

11 (ii) Financially feasible, but at lower densities, with fewer or
12 no affordable units, or less greenhouse gas reduction benefit. This
13 part of the analysis shall include an evaluation of the environmental
14 and policy impacts associated with the proposed project not moving
15 forward at the density and level of affordable housing proposed,
16 or not moving forward at all due to a lack of resources.

17 (F) An analysis of how the development described in paragraph
18 (2) will result in an increased amount of revenue to the General
19 Fund, including estimated income taxes, sales taxes, property taxes,
20 and other revenue generated, with a net present value that is greater
21 than the net present value of the total amount of the requested
22 reduction in ERAF contributions over a 35-year period. This part
23 of the analysis also shall evaluate whether the development
24 complements or maximizes other state investments in infrastructure
25 adjacent to or benefiting the property, or contributes to achieving
26 the public policies that the program seeks to support.

27 (b) The Strategic Growth Council shall circulate the application
28 and the analysis described in paragraph (5) of subdivision (a) to
29 the Department of Finance and the State Infrastructure and
30 Economic Development Bank for review and comment within 45
31 days of receipt, and consider the comments received from these
32 entities when making its decisions.

33 (c) The Strategic Growth Council may establish a process for
34 the public to comment on an application for financing.

35 (d) The Strategic Growth Council may require the applicant to
36 reimburse it, as well as the Department of Finance and the State
37 Infrastructure and Economic Development Bank, for the reasonable
38 cost incurred by each of these entities for the review of the
39 applicant's application for financing.

1 63047.75. (a) On or after July 1, 2018, the Strategic Growth
2 Council may approve applications submitted pursuant to this
3 article.

4 (b) The Strategic Growth Council shall not approve an
5 application unless it determines that the reduction in ERAF
6 contributions is necessary to make the proposed project financially
7 feasible and that it would significantly advance important
8 greenhouse gas reduction, affordable housing, or other policy
9 benefits.

10 (c) The Strategic Growth Council may approve a reduction in
11 ERAF contributions that is less than the amount requested by the
12 applicant.

13 63047.80. (a) Upon approval of an application for a reduction
14 in ERAF contributions, which shall be conditioned upon the future
15 approval of the project as proposed, the Strategic Growth Council
16 shall issue an order directing the county auditor to reduce the total
17 amount of ad valorem property tax revenue otherwise required to
18 be allocated to the county's ERAF from the applicant, or the city
19 or county that established the enhanced infrastructure financing
20 district or the community revitalization investment authority, by
21 the annual amount approved by the Strategic Growth Council.

22 (b) If the applicant is an enhanced infrastructure financing
23 district or community revitalization investment authority, the city
24 or county that established the district or authority shall annually
25 allocate to the district or authority an amount of property tax
26 revenue equal to the amount of the annual reduction approved by
27 the Strategic Growth Council.

28 63047.83. The applicant may use the additional revenue
29 approved by the Strategic Growth Council to incur debt or issue
30 bonds or other financing to support the project.

31 63047.84. (a) On or before July 1, 2019, and annually
32 thereafter, each applicant that has received financing pursuant to
33 the program for any fiscal year shall provide a report to the
34 Strategic Growth Council that includes all of the following
35 information for the previous fiscal year:

36 (1) The amount of money that the county auditor reallocated to
37 the applicant from the ERAF for financing under the program.

38 (2) The purposes for which that reallocated money was used.

39 (3) The actions taken during the fiscal year to implement the
40 project.

1 (b) On or before March 1, 2019, and annually thereafter, the
2 Strategic Growth Council shall provide a report to the Joint
3 Legislative Budget Committee that includes all of the following
4 information for the preceding fiscal year:

5 (1) The name, location, and general description of each project
6 approved under the program.

7 (2) The total amount of money that county auditors reallocated
8 from the ERAF under the program in the previous fiscal year.

9 (3) An evaluation of the value of the state's investment through
10 the funding provided by this program as measured by a net revenue
11 increase to the General Fund and progress towards achieving the
12 purposes and intent of the program.

13 63047.90. This article shall remain in effect only until January
14 1, 2025, and as of that date is repealed.

15 However, the repeal of this article shall not affect the continuing
16 annual reallocation of property taxes for financing approved by
17 the Strategic Growth Council prior to the repeal of this article, and
18 a county auditor shall continue to comply with the order of the
19 council pursuant to Section 63047.80.

20 SEC. 3. If the Commission on State Mandates determines that
21 this act contains costs mandated by the state, reimbursement to
22 local agencies and school districts for those costs shall be made
23 pursuant to Part 7 (commencing with Section 17500) of Division
24 4 of Title 2 of the Government Code.