



Senator Jerry Hill, 13th Senate District

SB 711– Local-State Sustainable Investment Incentive Program

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

Meegen Murray
Meegen.Murray@sen.ca.gov
916-651-4013