

Redevelopment 2.0 and Proposed Housing Principles

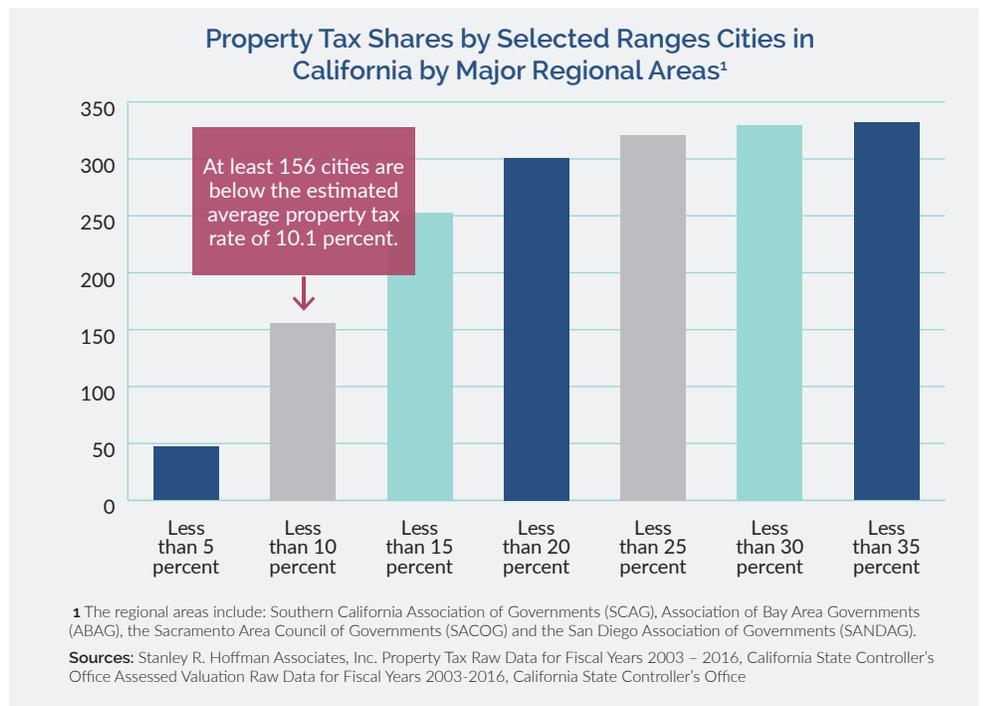
The State has taken steps to create post-redevelopment financing replacements to augment local tools for economic development. Senate Bill 628 was passed in 2014 and amended by AB 313 in 2015 as the “Enhanced Infrastructure Financing District (EIFD),” and Assembly Bill No. 2 was passed in 2015 authorizing local governments to create “Community Revitalization and Investment Authorities (CRIAs).” Currently, the State legislature is considering other bills to improve post-redevelopment infrastructure financing.

While it is essential that all communities, particularly disadvantaged communities, have equal access to funding for infill development for economic, housing, public infrastructure, amenities, and other community benefits, the current EIFD and CRIA legislation is inadequate in meeting the post-redevelopment and revitalization needs of our communities in California.

For example, the California Planning Roundtable (CPR), in our policy paper *Financing Infill Development in a Post-Redevelopment World*, March 10, 2017, found that in the four major regional metro areas in California—SCAG, ABAG, SACOG, and SANDAG—the estimated average city share of the basic 1% property tax levy was 11%, compared with 16% for counties and an estimated 10% for special districts.

Out of 332 cities in these four metro areas, 47% are estimated to have less than a 10% share of the basic 1% property tax levy; 76% have less than a 15% share.

While other jurisdictions may choose to participate, and some do, most do not. Without other jurisdictions or agencies willing to participate and allocate their share of tax increment for bond financing, the property tax allocation under current law that largely relies on local jurisdictions’ share of property taxes is generally inadequate to be an effective tool for redevelopment and revitalization. Even with the use of the property tax in-lieu for vehicle license fees (VLF) under an EIFD—which traditionally has been an important revenue source for local



services—the funding capacity is still very limited. For local governments, the use of tax increment and VLF carries an opportunity cost of using the funds for other General Fund services.

In light of new legislation and funding mechanisms being proposed, CPR offers the following principles for consideration:

Consolidate and Expand Existing Post-RDA Legislation. Develop legislation that consolidates the best of

the EIFD and CRIA legislation and also adds new funding resources so that all communities can have equal access to adequate infill funding, not just those with relatively high General Fund property tax shares.

Develop New Statewide Revenue Funding Sources that Provide Common Level of Financing. A need exists to supplement local property tax availability to provide a common level of redevelopment financing



Multimodal Infrastructure, Chicago. Public finance tools can pay for infrastructure, such as pedestrian and bicycle facilities near transit. (Photo credit: Centralina Council of Governments)

that is fiscally adequate and does not just favor communities that currently have a relatively higher share of the 1% property tax, particularly those communities that incorporated post-Proposition 13. Such sources might include a statewide bond or special tax measure, use of a low-interest revolving infrastructure fund, or other proposed measures or revenue distribution formulas.

Provide State and Regional Financing Incentives. Provide financing incentives—e.g., through Cap and Trade or newly provided State and regional sources—for regional, county, and local governments to further their common goals that they need to build coalitions among their respective jurisdictions and special districts for city-centered and transit-oriented communities.

Make the Case for Collaboration Among Jurisdictions and Agencies.

While excluding school districts from these funding mechanisms, participation by other taxing jurisdictions, such as counties and special districts, will be necessary to develop sufficient revenues for adequate bonding capacity. The case must be made for collaboration among jurisdictions and agencies to address their common regional, sustainable economic development policy goals.

Provide for New Local Financing Measures. While collaboration can increase the effective bonding under these newer mechanisms, other local tools are needed to support successful infill development. One possible tool is a proposed “Neighborhood Facilities and Service District” that would require local support and voter approval at a sub-jurisdiction level.

Affordable Housing Requirements.

While the CRIA has an affordable housing requirement of 25%, make this a condition for the consolidated legislation so that a mix of adequate housing and jobs-housing balance are always part of the equation.

Targeted Use of Eminent Domain with Gentrification Safeguards.

In most older, largely developed communities, parcel configurations can be a major impediment to redevelopment. Allow for the targeted use of eminent domain for public purposes. Also, include provisions for a “Gentrification Evaluation” that considers the redevelopment and/or relocation needs of both existing housing and businesses.

Consider Wider Use of Transfer of Development Rights (TDRs).

This could be a voluntary program that provides county tax increment participation along with the transfer of development rights from unincorporated county lands—to preserve open space, natural resources, and farmland—to specified receiving areas within cities, such as transit priority areas.

Regular Review of Redevelopment/Revitalization Programs.

To avoid some of the abuses under prior redevelopment, implement a regular review and evaluation of redevelopment/revitalization programs that use new legislation and financing mechanisms to ensure appropriate use of the funds and achievement of community benefit purposes of redevelopment.