



SENATOR DAVE CORTESE

SB 780 – Improvements to EIFD/CRIA Tools

ISSUE

Since the elimination of redevelopment agencies in 2011, the Legislature enacted several tax increment financing tools to support infrastructure, economic development and affordable housing in local communities. Enhanced Infrastructure Finance Districts (EIFDs) have emerged as the most flexible tool for local agencies considering infrastructure development. Community Revitalization Investment Authorities (CRIAs) have broader redevelopment powers and a focus on affordable housing, but are currently viewed as too cumbersome to establish and operate.

Improvements to EIFD and CRIA statutes are needed to facilitate the use of these tools for infrastructure, redevelopment and affordable housing objectives.

BACKGROUND

For decades, redevelopment agencies (RDAs) were equipped with broad community revitalization authority and financing powers. RDAs could assemble land, clean-up deteriorated areas, and build affordable housing. RDA financing came from property tax increment that flowed from all affected taxing agencies - including the applicable city, county, special districts, and schools. While this created robust revenues, the financial impacts on other taxing entities were a major state policy concern.

After RDAs were dissolved, the Legislature created several replacement tax increment financing tools that rely upon voluntary participation by affected taxing agencies. Cities, counties, and special districts have the option to participate, but school districts are prohibited. Thus, agencies considering the use of these tools have incentives to explore partnerships. Absent a local partnership, a local agency with a smaller property tax base must carefully evaluate the viability of using these tools, since it can take decades to build up sufficient resources to implement projects.

SB 628 (Beall) authorized cities and counties to create EIFDs. An EIFD is governed by a public finance authority and is empowered to finance public capital facilities or

other specified projects of communitywide significance. EIFD law specifies the manner in which local officials form and operate agencies, defines how tax increment revenues may be allocated, and authorizes bond issuance. In 2019, in AB 116 (Ting), the Legislature added a protest process from CRIA law to EIFD formation – minus a the 10-year revisiting provision.

AB 2 (Alejo) authorized local agencies to create CRIAs, with broad powers based on former redevelopment, including eminent domain for land assembly and the ability to repair and upgrade infrastructure, with 25% of all taxes dedicated to developing low- and moderate-income housing. The law established the manner in which a CRIA can be created, the eligibility of areas to be within a CRIA, and the powers given to the governing body. Forming a CRIA requires an extensive community hearing process that culminates in an opportunity for landowners and residents to stop formation via a protest. AB 2 also allows the protest to be revisited at 10-year intervals. (EIFD law now contains the identical protest process, but not the 10-year provision).

THIS BILL*

The bill implements changes to both EIFD and CRIA statutes as follows:

- Allows for the appointment of alternates on governing boards. *Issue: Provides additional flexibility to local officials who – in addition to serving on their elected bodies--often sit on multiple local agency boards (LAFCO, COG, local boards and commissions, etc).*
- Clarifies that a directly-elected mayor of a charter city may serve on the governing board. *Issue: Appointments to governing board are from the “legislative body.” Under some city charters the mayor is not a member of the legislative body.*
- Allows for consolidated boards to be structured by consensus agreement, while maintaining representation, when more than three agencies participate. *Issue: Addresses a practical impediment to multiple agency participation when the governing board grows to an unwieldy size.*

- Facilitates the process for amending existing plans. Requires, for affordable housing and other eligible projects, a 30-day notice to all parties and a majority vote by the governing body, except for amendments that add territory, change the total tax allocation limit, or approve new projects not proposed to be financed or assisted in the approved plan, which are subject to the same hearing and protest process associated with formation. *Issue: The extensive public hearing and protest process associated with initial formation (extending for four meetings over up to 120 days) is impracticable for normal amendments; the extended process should only be required for adding new territory, increasing tax dollars allocated to a plan, or approving new projects not included in the initial plan.*
- Allows agencies to designate project areas, and commences the 45-year time limit for financing improvements after \$100k in annual tax increment accumulates. *Issue: Given limited flows of tax increment, it can take many years to accumulate sufficient funds. This proposal replicates the solution that the Legislature recently approved for the City of Oakland, in SB 293 (Skinner), which triggered the 45-year timeline after \$100k accumulates.*

Changes just to EIFD law:

- Allows for a consolidated notice to landowners, residents and taxing agencies at least 40 days in advance of the first public hearing on EIFD formation. *Issue: The import of the CRIA hearing/protest process into EIFD law has generated implementation questions on how to comply with potentially overlapping notice requirements created by the merger of these laws. SB 780 allows local agencies to provide a comprehensive mailed notice at least 40 days in advance of the first hearing.*
- Clarifies that a plan is adopted by resolution rather than ordinance. *Issue: This is viewed as a technical change. The statute refers multiple times to "resolution," then in another instance refers to "ordinance." EIFDs are governed by an independent public finance authority authorized by statute, thus its actions are by resolution.*
- Clarifies that a plan should be consistent with a general plan and specific plan, if applicable. *Issue: This is viewed as a technical change.*

- Clarifies that the initial base year will be used for any agencies that may agree to participate after EIFD formation. *Issue: This change is designed to simplify administration if agencies join after formation.*

Changes just for CRIA law:

- Rewrites 10-year protest process to make it 15-years, allows for amendments to be considered, and clarifies that, if a protest is adopted it is limited to new projects, but does not prohibit the completion of previously approved projects, repayment of existing debt, or compliance with obligations, including affordable housing.
- *Issue: The revision addresses the uncertainties created by the prior language, which was a major reason CRIAs have not formed.*
- Allowing CRIAs to assist with the funding the conversion of underutilized office and retail sites for housing. *Issue: Many office and retail sites are becoming obsolete through rapid consumer shifts to internet purchasing and expanded work-from-home options. CRIA's tools can help convert these sites to housing.*
- Provides additional flexibility in areas where CRIAs may be established:
 - Requiring 70 percent rather than 80 percent of an area to meet the listed CRIA criteria. *Issue: This change provides more flexibility for tax increment growth in the plan area to support CRIA's objectives.*
 - Allowing CRIAs to include sites deemed suitable for housing development in state-approved housing elements, and parcels zoned to allow transit priority projects, meeting specified state definitions *Issue: Given the state's priorities to advance housing production, allowing a CRIA - which has a major affordable housing focus - to align with these areas to improve local infrastructure and affordable housing funding would be consistent.*

*Chaptering Amendments were also added to ensure there is no impact on AB 336 (Villapuda), which the Governor signed earlier.

FOR MORE INFORMATION

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SB 780 Support (8/31/21)

- California Association for Local Economic Development (Sponsor)
- California Building Industry Association
- California Business Properties Association
- California Forward Action Fund
- City of Concord
- City of Cupertino
- City of Huntington Park
- City of Lakewood
- City of Lynnwood
- City of Milpitas
- City of Pico Rivera
- City of San Diego
- City of West Sacramento
- County of Monterey
- Desert Valley Builders Association
- Edison International and Affiliates, Including Southern California Edison
- Inland Valley Development Agency
- Keyser Marston Associates, Inc.
- Kosmont Companies
- League of California Cities
- Luis Alejo, Monterey Co. Supervisor
(Author of AB 2 (Alejo), CRIA Law)
- RSG, Inc.
- San Francisco Bay Area Planning and Urban Research Association (SPUR)
- Southwest California Legislative Counsel



No Know Opposition