



April 22, 2022

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: **State Budget Funding Request — \$500 million for the Housing and Economic Development Program**

Dear Governor Newsom,

The League of California Cities respectfully requests a one-time allocation of \$500 million (General Fund) to establish a housing and economic development program that would facilitate a partnership between the state and local agencies who adopt local property tax increment financing tools to support affordable housing, upgrade essential infrastructure, and spur economic development.

The elimination of redevelopment agencies in 2011 stripped local governments of the most powerful and successful tool they had to revitalize urban cores, help jumpstart the construction of affordable housing, and support economic development activities. The loss of this tool also hinders local officials' ability to help advance the state's bold climate policy objectives, including minimizing vehicle miles traveled and reducing greenhouse gas emissions.

This is why establishing the Housing and Economic Development Program is crucial to achieving our housing supply and climate action goals. While cities appreciate the property tax tools the Legislature created in the aftermath of the demise of redevelopment to help address a range of community issues, the lack of funding these tools alone can generate has resulted in few cities being able to fully utilize them. Tools such as the Enhanced Infrastructure Financing Districts, Community Revitalization and Investment Authorities, and Affordable Housing Authorities may differ in their focus and details, but their common challenge is they lack sufficient financial capacity. The establishment of a state-local partnership to provide matching funds would be a gamechanger and greatly expand the viability of these tools.

The state's \$20 billion state budget surplus — expected to grow by billions later this month — presents a historic opportunity to enhance existing local property tax increment tools that have been underutilized due in large part to the absence of state participation. A strong state-local partnership would propel significant investments in affordable housing, public infrastructure, and spur much needed economic development and job creation, all of which would help further the state's ambitious climate and housing goals.

Sincerely,


Carolyn M. Coleman
Executive Director and CEO

Cal Cities Proposed Housing and Economic Development Program

Program Overview

- The Legislature would establish the **Housing and Economic Development Program (HEDP)** to be administered by the Housing and Community Development Department (HCD) in consultation with the California Infrastructure and Economic Development Bank (IBank).
- The Legislature would allocate **\$500 million** to the HEDP.
- The HEDP would form partnerships between the state and cities and counties. The **State would grant matching funds to cities and counties** that utilize local property tax increment financing tools.
- HCD would make grants to cities and counties that establish (or have established) one of the following entities before Jan. 1, 2025 that uses **property tax increment to finance affordable housing, infrastructure, and economic development**:
 - Enhanced Infrastructure Financing Districts (EIFD), which are authorized to address a wide range of local infrastructure challenges. EIFDs are also authorized to support affordable housing and include more tailored tools such as the Neighborhood Infill Finance and Transit District Act options.
 - Community Revitalization and Investment Authorities (CRIA): This tool replicates many of the tools of former redevelopment agencies and includes a 25% affordable housing set-aside.
 - Affordable Housing Authorities (AHA): This tool allows local agencies to use property tax and sales tax investments to help support the development of affordable housing.
- HCD would make minimum **grants to local agencies** as follows:
 - Up to a \$5 million 50/50 state-local match for any individual city or county that establishes an eligible entity that uses property tax increment financing, with the local financial commitment measured over the first 10 years.
 - Up to a \$10 million 50/50 state-local match when more than one local agency (city, county, or special district) has formed an eligible entity.
 - Up to a \$15 million 75/25 state-local match for eligible entities focused on development or rehabilitation of affordable housing.
- HCD shall prepare a report to the Governor and Legislature for the preceding fiscal year including **all direct grants, geographic distribution of grants, and a description of projects receiving a grant**.
- Local agencies shall conduct an **independent audit of use of funds** and report to HCD on the progress of projects.