



## Housing, Community, and Economic Development Policy Committee

April 29, 2022

9:00 am – 12:00 pm

### Register for this meeting:

<https://us06web.zoom.us/j/83882399675?pwd=SlBoU2E4dDdMVnJBZEoxMGwwVVZldz09>

Immediately after registering, you will receive a link and confirmation email to join the meeting.

### AGENDA

#### I. Welcome and Introductions

Speakers: Chair Marshall Goodman, City of La Palma  
Vice Chair Dan Wright, City of Stockton  
Cal Cities President Cindy Silva, Mayor Pro Tem, Walnut Creek

#### II. Public Comment

#### III. General Briefing (Handout)

Informational

#### IV. Legislative Agenda (Attachment A)

Action

1. AB 2053 (Lee) Social Housing
2. AB 2295 (Bloom) School Property. Housing.

#### V. Discuss Strategies to Reform State Housing Laws and Increase Funding for Affordable Housing

Action

Focused Discussion on Local Control

#### VI. Economic Development – Tax Increment Finance Tools (Attachment B) Informational Cal Cities Budget Proposal

#### VII. Legislative and State Budget Update (Attachment C)

Informational

#### VIII. City Leaders Summit – May 11-13, 2022

Informational

#### IX. Adjourn

**Next Virtual Meeting:** Friday, June 10, 2022 at 9:00 am – 12:00 pm

Brown Act Reminder: The League of California Cities' Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:

- 1) Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote); or
- 2) A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.

A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at League meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.



## ATTACHMENT A

### Housing, Community, and Economic Development Committee Legislative Agenda

April 2022

**Staff:** Jason Rhine, Assistant Director, Legislative Affairs

#### 1. [AB 2053 \(Lee\) Social Housing](#)

##### **Overview:**

This measure would create the California Housing Authority with a mission to produce and acquire social housing developments for the purpose of eliminating the gap between housing production and regional housing needs assessment targets and to preserve affordable housing.

##### **Bill Description:**

"Social housing" means housing with the following characteristics:

- The housing units are owned by the California Housing Authority, a public entity, a local housing authority, or a mission-driven not-for-profit private entity.
- Social housing developed by the authority shall be owned by the authority.
- The development contains housing units that accommodate a mix of household income ranges, including extremely low income, very low income, low income, moderate income, and above-moderate income.
- Units that are owned and managed by a mission-driven not-for-profit private entity shall have units that are permanently restricted by deed to be affordable.
- Residents of housing units are afforded, at a minimum, all protections granted to tenants with tenancies in private property, including protection against termination without just cause or for any discriminatory, retaliatory, or other arbitrary reason, and shall be afforded due process prior to being subject to eviction procedures, in addition to other protections provided by this title.
- The housing units shall be protected for the duration of their useful life from being sold or transferred to a private for-profit entity or a public-private partnership.
- Residents of the housing units have the right to participate directly and meaningfully in decision making affecting the operation and management of their housing units.

The California Housing Authority would have the following powers:

- Acquire and purchase real, personal, or mixed property or any interest therein and own, hold, clear, improve, rehabilitate, sell, assign, exchange, transfer, convey, lease, or otherwise dispose of it.
- Make and execute contracts and other instruments.
- Make rules with respect to its projects, operations, properties, and facilities.
- Arrange or contract for the planning, replanning, opening, grading, or closing of streets, roads, roadways, alleys, or other places, or for the furnishing of facilities or for the acquisition of property or property rights, or for the furnishing of property or services in connection with a project.

- Accept funding from any public or private agency or other source.
- Enter into community workforce and project labor agreement.
- Employ technical experts and officers, agents, and employees, permanent or temporary, as required.
- Call upon the Attorney General for legal services as it may require.

The California Housing Authority shall have a nine member board of directors that consist of the following:

- An expert in housing development and finance.
- An expert in housing construction.
- An expert in property maintenance.
- An appointee of the Speaker of the Assembly.
- An appointee of the Senate Committee on Rules.
- An appointee of the Governor.
- Three representatives of California Housing Authority residents.

The California Housing Authority shall submit an annual business plan to the Governor and the Legislature which must be made available for public comment at least 60 days before publication.

The California Housing Authority must prioritize development on vacant parcels, certain underutilized parcels with deed-restricted units, surplus public properties, and parcels near transit.

The California Housing Authority would make an annual determination of the required amount of social housing units to be produced as follows:

- Annual regional housing needs assessment (RHNA) targets will be calculated as the total RHNA cycle targets for each jurisdiction divided by the length of the RHNA cycle.
- On or before January 1, 2027, and each year thereafter, the California Housing Authority will determine the gap between the previous year's RHNA and actual housing construction.
- Within a given year, the California Housing Authority can construct at least the number of units to meet the gap between the previous year's construction of units and the RHNA targets.

### **Background:**

California continues to produce significantly fewer housing units than what is needed to keep pace with the State's identified housing need. According to the California Department of Housing and Community Development, housing developers need to produce at least 180,000 new units each year. However, in recent years housing production has lagged with roughly 117,000 constructed in 2021.

According to the Legislative Analyst's Office, "a collection of factors drive California's high cost of housing. First and foremost, far less housing has been built in California's coastal areas than people demand. As a result, households bid up the cost of housing in coastal regions. In addition, some of the unmet demand to live in coastal areas spills over into inland California, driving up prices there too. Second, land in California's coastal areas is

expensive. Homebuilders typically respond to high land costs by building more housing units on each plot of land they develop, effectively spreading the high land costs among more units. In California's coastal metros, however, this response has been limited, meaning higher land costs have translated more directly into higher housing costs. Finally, builders' costs—for labor, required building materials, and government fees—are higher in California than in other states. While these higher building costs contribute to higher prices throughout the state, building costs appear to play a smaller role in explaining high housing costs in coastal areas."

According to the author, "Housing is too expensive for millions of Californians, where more than two in five households spend over 30% of their income on housing, and more than one in five households spend over 50% of their income on housing. Over 97% of cities and counties haven't produced enough affordable housing, and existing strategies to address the lack of affordable housing have not produced nearly enough to meet demand. Affordable housing relies on government subsidies, and there is much more demand for them than supply.

Social housing is an important tool to ensure housing is affordable to people of all income levels. Social housing is publicly backed, self-sustaining housing that accommodates a mix of household income ranges. Housing is protected from being sold to a private for-profit entity for the duration of its life, and residents are granted the same protections as tenants in private property, if not more. Residents can participate in decision making that affects housing management, such as providing the resident perspective to property management or hosting meetings to gather feedback from residents. Many countries throughout the world have successful social housing programs, and in the US, there are social housing developments such as in Montgomery County, Maryland using a similar model. Social Housing is how we provide and realize housing as a human right."

**Fiscal Impact:**

No direct costs to cities. However, AB 2053 would create significant new ongoing costs for the State of California.

**Existing Cal Cities Policy:**

Cal Cities believes local zoning is a primary function of cities and is an essential component of home rule. The process of adoption, implementation and enforcement of zoning ordinances should be open and fair to the public and enhance the responsiveness of local decision-makers. State policy should leave local siting and use decisions to the city and not interfere with local prerogative beyond providing a constitutionally valid procedure for adopting local regulations. State agency siting of facilities, including campuses and office buildings, should be subject to local notice and hearing requirements in order to meet concerns of the local community. Cal Cities opposes legislation that seeks to limit local authority over parking requirements.

Cal Cities supports legislation and state and federal programs that assist in providing financing for affordable housing, including the development of fiscal tools and incentives to assist local governments in their efforts to encourage housing and finance the infrastructure to support housing, as well as establishing an ongoing state commitment for funding affordable housing.

Cal Cities supports the re-establishment of federal tax incentives which were in effect prior to 1986 which encouraged private development and ownership of rental housing.

Cal Cities supports the principles of smart growth which include the development of strong families and socially and ethnically diverse communities, by:

- Working to provide a balance of jobs and housing within the community.
- Avoiding the displacement of existing residents.
- Reducing commute times.
- Promoting community involvement.
- Enhancing public safety.
- Providing and supporting educational, mentoring and recreational opportunities.

**Comments:**

AB 2053 is a measure that would create the California Housing Authority to help spur much needed housing construction at all income levels. It is intended to assist local jurisdictions with making progress towards their share of the State's housing goals as allocated by councils of government through the RHNA process.

The California Housing Authority would have the power to acquire and purchase real, personal, or mixed property or any interest therein and own, hold, clear, improve, rehabilitate, sell, assign, exchange, transfer, convey, lease, or otherwise dispose of the property.

It is important to note that as a state entity, the California Housing Authority would have full control over the properties they own and would not be required to abide by local zoning, design standards, density requirements, height limitations, parking requirements, etc.

**Support** *(As of April 20, 2022):*

East Bay for Everyone (Sponsor)  
San Jose State University Human Rights Institute (Co-Sponsor)  
State Building and Construction Trades Council – AFL-CIO (Co-Sponsor)  
YIMBY Action (Co-Sponsor)  
Affordable Housing Network of Santa Clara County  
AIDS Healthcare Foundation  
Alameda County Democratic Party  
Autistic People of Color Fund  
California Apartment Association  
California Labor Federation, AFL-CIO  
California State Council of Laborers  
California State Council of Service Employees International Union  
California YIMBY  
City Council Member, City of Gilroy  
Common Ground California  
Culver City for More Homes  
East Bay YIMBY  
Greenbelt Alliance  
Housing Action Coalition  
Housing Is a Human Right

Indivisible CA: StateStrong  
Indivisible Sacramento  
Mountain View YIMBY  
Peninsula for Everyone  
Progressive Zionists of California  
San Francisco YIMBY  
San Luis Obispo YIMBY  
Santa Cruz YIMBY  
Sierra Club California  
SLO County YIMBY  
South Bay YIMBY  
South Pasadena Residents for Responsible Growth  
State Building & Construction Trades Council of California  
Terry Taplin, Council Member, City of Berkeley  
Westside Young Democrats

**Opposition** (*As of April 20, 2022*):

California Association of Realtors  
Catalysts for Local Control

**Staff Recommendation**

Cal Cities staff recommends the committee discuss AB 2053 and provide a recommendation to the Cal Cities Board of Directors.

**Committee Recommendation:**

**Board Action:**

**2. [AB 2295 \(Bloom\) Local Education Agencies. Housing Development.](#)**

**Overview:**

This measure would declare that notwithstanding any law, a housing development project shall be deemed an allowable use on any real property owned by a local educational agency (LEA) if the housing development satisfies specific requirements.

**Bill Description:**

AB 2295 would require cities, counties, and special districts to allow housing development projects on property owned by a local educational agency if the following requirements are met:

- The housing development consists of at least 10 housing units.
- The housing development shall have a recorded deed restriction that ensures, for a period of at least 55 years, that the majority of the units of the housing development shall be set at an affordable rent to lower income or moderate-income households. However, at least 30 percent of the units shall be affordable to lower income households.

- One hundred percent of the units of the housing development shall be rented by local educational agency employees, local public employees, and general members of the public pursuant to the following procedures:
  - A local educational agency shall first offer the units to the agency's local educational agency employees.
  - If the local educational agency receives an insufficient number of local educational agency employees to apply for and occupy the units, the unoccupied units may be offered to local public employees who work for a local agency within the jurisdiction of the local educational agency.
  - If the local agency receives an insufficient number of local public employees to apply for and occupy the units, the unoccupied units may be offered to general members of the public.
  - When units in the housing development become unoccupied and available for rent, a local educational agency shall first offer the units to the agency's local educational agency employees.
- The residential density for the housing development, as measured on the development footprint, shall be the greater of the following:
  - The residential density allowed on the parcel by the city or county, as applicable.
  - The applicable density deemed appropriate to accommodate housing for lower income households in that jurisdiction (generally 30 units per acre in urban areas, 20 in suburban areas, and 10 in rural areas).
- The height limit for the housing development shall be the greater of the following:
  - The height limit allowed on the parcel by the city or county, as applicable.
  - Thirty feet.
- The property is adjacent to a property that permits residential uses.
- The housing development shall satisfy other local objective zoning standards, objective subdivision standards, and objective design review standards that do not preclude the housing development from achieving the residential density permitted pursuant to paragraph (4) or the height permitted pursuant to paragraph (5).
- The terms "objective zoning standards," "objective subdivision standards," and "objective design review standards" mean standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official prior to submittal. These standards may be embodied in alternative objective land use specifications adopted by the city or county, as applicable, and may include, but are not limited to, housing overlay zones, specific plans, inclusionary zoning ordinances, and density bonus ordinances.
- The local educational agency shall maintain ownership of a housing development for the length of the 55-year affordability requirement.
- "Local educational agency" means a school district or county office of education.

### **Background:**

California continues to produce significantly fewer housing units than what is needed to keep pace with the State's identified housing need. According to the California Department of Housing and Community Development, housing developers need to

produce at least 180,000 new units each year. However, in recent years housing production has lagged with roughly 117,000 constructed in 2021.

According to the Legislative Analyst's Office, "a collection of factors drive California's high cost of housing. First and foremost, far less housing has been built in California's coastal areas than people demand. As a result, households bid up the cost of housing in coastal regions. In addition, some of the unmet demand to live in coastal areas spills over into inland California, driving up prices there too. Second, land in California's coastal areas is expensive. Homebuilders typically respond to high land costs by building more housing units on each plot of land they develop, effectively spreading the high land costs among more units. In California's coastal metros, however, this response has been limited, meaning higher land costs have translated more directly into higher housing costs. Finally, builders' costs—for labor, required building materials, and government fees—are higher in California than in other states. While these higher building costs contribute to higher prices throughout the state, building costs appear to play a smaller role in explaining high housing costs in coastal areas."

According to the author, "School districts in California own 10,900 properties with over 150,000 acres of land, half of which are potentially suitable for housing. By easing the administrative and bureaucratic hurdles, AB 2295 will help local educational agencies feasibly construct enough housing to meet the current demand and help address teaching shortages—ultimately helping keep quality teachers and staff in the classroom."

**Fiscal Impact:**

No direct costs to cities.

**Existing Cal Cities Policy:**

Cal Cities believes local zoning is a primary function of cities and is an essential component of home rule. The process of adoption, implementation and enforcement of zoning ordinances should be open and fair to the public and enhance the responsiveness of local decision-makers. State policy should leave local siting and use decisions to the city and not interfere with local prerogative beyond providing a constitutionally valid procedure for adopting local regulations. State agency siting of facilities, including campuses and office buildings, should be subject to local notice and hearing requirements in order to meet concerns of the local community. Cal Cities opposes legislation that seeks to limit local authority over parking requirements.

Cal Cities supports legislation and state and federal programs that assist in providing financing for affordable housing, including the development of fiscal tools and incentives to assist local governments in their efforts to encourage housing and finance the infrastructure to support housing, as well as establishing an ongoing state commitment for funding affordable housing.

Cal Cities supports the re-establishment of federal tax incentives which were in effect prior to 1986 which encouraged private development and ownership of rental housing.

Cal Cities supports the principles of smart growth which include the development of strong families and socially and ethnically diverse communities, by:



- Working to provide a balance of jobs and housing within the community.
- Avoiding the displacement of existing residents.
- Reducing commute times.
- Promoting community involvement.
- Enhancing public safety.
- Providing and supporting educational, mentoring and recreational opportunities.

**Comments:**

According to the analysis from the Assembly Committee on Housing and Community Development, there are over 1,000 LEAs in California. Collectively, they own more than 150,000 acres of land. According to recent research, of land owned by LEAs, there are 7,068 properties with potentially developable land of one acre or more, totaling 75,000 acres statewide. At a modest density of 30 dwelling units per acre, such properties could contain 2.3 million units of housing – more than enough to house the state's 300,000 teachers and 350,000 other LEA employees.

Despite the potential for development, there is very little housing on LEA property. This is understandable, given that the primary function of this land is for educational purposes. It is also because there are myriad impediments to completion of employee housing on LEA property, including:

- Lack of expertise: the core competency of LEAs is education. To the degree there is expertise in new construction or facilities management, it is focused on educational facilities, not on building and managing housing.
- Lack of funding: given exceedingly high construction costs, the price of new housing exceeds what is affordable to most LEA staff. As such, to develop employee housing, LEAs will need to identify public sources of funding.
- Lack of permission: getting housing approved in California is often a laborious and risky process, reflecting the complexity of government review, public processes, and required analysis under the California Environmental Quality Act (CEQA). LEA properties typically face the additional hurdle of not having zoning that permits housing or specified development standards for housing projects. As such, if it wanted to build housing for its employees, the LEA would need to seek permission from a local government to establish the right to build housing and identify objective standards for the project to conform with.

For a number of years, state and local officials have attempted to address the high cost of housing and identify ways recruit and retain school employees. California enacted The Teacher Housing Act of 2016 (SB 1413, Leno, Chapter 732, Statutes of 2016) to create state policy to support housing for teachers and school district employees, and specified that projects can receive local or state funds or tax credits if developments are restricted to school district employees. Since that time 46 LEAs have pursued housing projects on 83 different sites.

It is important to note that AB 2295 would still require housing developments on LEA property to follow local entitlement processes, including CEQA. Cities and counties would be able to enforce its own zoning and design review standards, so long as they do not preclude the project from being three stories or thirty feet in height.

**Support** *(As of April 20, 2022):*

CityLAB - UCLA (Sponsor)

East Bay for Everyone

Landed

Los Angeles Unified School District

San Francisco Bay Area Planning and Urban Research Association

SV@Home Action Fund

Terner Center for Housing Innovation at the University of California, Berkeley

**Opposition** *(As of April 20, 2022):*

None on file at this time.

*Oppose Unless Amended*

California State Pipe Trades Council

Coalition of California Utility Employees

International Union of Elevator Constructors, Local 18

International Union of Elevator Constructors, Local 8

State Building & Construction Trades Council of California

Western States Council Sheet Metal, Air, Rail and Transportation

**Staff Recommendation**

Cal Cities staff recommends the committee discuss AB 2295 and provide a recommendation to the Cal Cities board of directors.

**Committee Recommendation:**

**Board Action:**



## ATTACHMENT B

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.



CALIFORNIA ASSOCIATION FOR  
LOCAL ECONOMIC DEVELOPMENT

# FAQs on California's New Tax Increment Financing Tools

*Get answers to frequently asked questions  
regarding CRIAs and EIFDs*

*Compare the tools to see which one  
works best for your project*

*Learn how to complete projects with new tax increment  
financing tools to increase economic development*

*Watch for CA TIF Primer  
coming soon*



# FAQs on California's New Tax Increment Financing Tools

## ***Tax increment financing (TIF) tools work by transferring the property tax revenues that flow from a designated project area to the city, county, and other taxing entities.***

Additional tax revenue in future years (the "increment") is diverted into a separate pool, which can be used to pay for improvements directly or to pay back bonds issued against the anticipated TIF revenue.

In California, TIF has historically been used by redevelopment agencies to raise funding for infrastructure improvements, housing and other projects in redevelopment areas. However, with the dissolution of redevelopment agencies as of February 1, 2012, the traditional form of TIF is not available. New financing mechanisms such as Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization Investment Areas (CRIAs) are opportunities for public agencies to create more economic development within your community.

CALED has created a Technical TIF Committee comprised of expert practitioners, attorneys and consultants to assist in sharing knowledge and resources to help California communities leverage these new tools. This frequently asked questions document was created to help answer some of the most common questions about California's new TIF tools. For more information, please contact CALED.

## **Why am I hearing so much about EIFDs and CRIAs lately?**

Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization and Investment Authorities (CRIAs) provide local governments a way to finance certain projects with tax increment. They authorize the broadest uses of tax increment allowed in California since Redevelopment, and are therefore generating a lot of interest as replacement tools.

## **How is this tax increment different from redevelopment tax increment?**

In general, like redevelopment, a base year is established and increases in revenues above base year levels are tax increment. Projects can be funded through a loan or bonds secured by tax increment, or on a cash basis.

Unlike redevelopment, school districts or educational entities may not contribute their property tax share to an EIFD or a CRIA. On average, schools are collectively allocated about half of the property tax share, which reduces the maximum possible contribution of tax increment to the remaining general levy.

All non-school taxing agencies must choose whether or not to participate in the EIFDs / CRIAs. If participating, each agency can choose to allocate all or just a portion of its revenue. The greater the number of participants, the greater the funding that becomes available. Planning projects that benefit more than one taxing agency may help garner support and increase funds through the EIFD or CRIA.

## **CALED Technical TIF Committee Members**

**Aaron Laurel**, *Economic Development & Housing Director, City of West Sacramento (Co-Chair)*

**James Hamill**, *Managing Director, CA Statewide Communities Development Authority (Co-Chair)*

**Constantine Baranoff**, *Shareholder, Kronick Moskowitz Tiedemann & Girard*

**Jon Goetz**, *Shareholder, Kronick Moskowitz Tiedemann & Girard*

**Lynn Hutchins**, *Partner, Goldfarb & Lipman LLP*

**Debbie Kern**, *Senior Principal, Keyser Marston Associates, Inc.*

**Larry Kosmont**, *President, Kosmont Companies*

**Ellen Martin**, *Executive Vice President, EPS*

**Mike Nuby**, *Manager, Economic Development Services, Southern California Edison*

**Daniel Rofoli**, *Consultant, Economic and Housing Development Division, Community Development Commission of Los Angeles County*

**Nicholas Romo**, *Legislative Policy Analyst, League of California Cities*

**Alexa Smittle**, *Principal, RSG, Inc.*

**Randy Starbuck**, *Consultant, A2B Consulting*

**Rafael Yaquián**, *Partner, Goldfarb & Lipman LLP*



# FAQs on California's New Tax Increment Financing Tools

## How does the funding work in an area that was a redevelopment project area?

In short, all Recognized Obligation Payment Schedule (ROPS) debts of a Successor Agency are senior to an EIFD or CRIA. This means that while an EIFD or CRIA could be formed where redevelopment project areas exist, available revenue may be limited while old redevelopment debts are paid. This would be especially important to understand if the EIFD/CRIA intended to fund projects with bonds, where extensive due diligence must be performed to show adequate revenues.

## What can I do with the money?

Generally, in an EIFD, you may purchase, improve, develop, rehabilitate, etc. public capital facilities or projects of "communitywide significance" which include:

- ✦ Roads, transit facilities, parking facilities
- ✦ Sewer treatment/water reclamation
- ✦ Flood control
- ✦ Child care facilities, libraries, parks, recreational facilities
- ✦ Facilities for solid waste
- ✦ Brownfield restoration/mitigation, including Polanco Act powers

- ✦ Projects on former military base
- ✦ Affordable housing
- ✦ Industrial structures
- ✦ Port/Harbor infrastructure

With a CRIA, you have more flexibility to invest directly in economic development efforts in addition to infrastructure. A CRIA may fund:

- ✦ Infrastructure improvements
- ✦ Affordable housing
- ✦ Hazardous substance remediation, including Polanco Act powers
- ✦ Building and other physical improvements
- ✦ Acquisition of property for economic development purposes
- ✦ Direct business assistance for industrial and manufacturing uses
- ✦ Reuse of previously developed sites

Note that a CRIA has a 25% affordable housing set-aside [requirement](#).

## What are the differences between an EIFD and a CRIA?

Some of the key points of these tools are highlighted in the table below. It's important to think through what you hope to accomplish, as each tool has varied advantages and disadvantages.

	EIFD	CRIA
<b>Governing Body</b>	Public Finance Authority	Community Revitalization Investment Authority
<b>Qualification Criteria for area</b>	No	Yes – median income requirements and certain economic indicators
<b>Voter approval to form District</b>	No	If 25-50% of property owners/residents protest, an election must be held. If more than 50% protest, adoption proceedings are terminated
<b>Planning Documents Required</b>	Infrastructure Financing Plan	Community Revitalization and Investment Plan
<b>Other Formation Requirements</b>	If a redevelopment project area is involved, Successor Agency must meet certain requirements including finding of completion	If City or County involved has a Successor Agency, the SA must meet certain requirements including finding of completion
<b>Duration</b>	Max 45 years from approval to issue bonds	Max 45 years from formation
<b>Reporting Requirements</b>	Audit every 2 years after issuance of bond debt	Substantive annual report; five year audit of housing expenditures; ten year protest proceeding which can stop all further action with majority protest
<b>Affordable Housing Set-Aside</b>	No, but can build/rehab units if affordability covenants exist or are instated	Yes, 25% of tax increment
<b>Inclusionary Housing Requirement</b>	If housing is financed, units restricted to low and moderate income	Covenants: 55-year rental, 45-year owner occupied, 15-year mutual self-help. Proportional expenditure limits apply.
<b>Voter Approval to Issue Bonds</b>	Yes – 55%	No

For a more extensive comparison, see CALED's Tax Increment Financing Tools Comparison Chart





# FAQs on California's New Tax Increment Financing Tools

## What should I consider before escalating the idea further?

1. Identify types of projects you would want to get done
  - a. Are they a better fit for an EIFD or a CRIA?
  - b. Will another taxing agency/agencies partner with you to support those projects?
  - c. Are there other funding sources to leverage?
2. Determine ideal boundary alternatives
  - a. Is there the potential for growth that will generate tax increment for investment?
  - b. Is there a redevelopment project area already in existence there?
  - c. If a CRIA, does the area qualify?
  - d. Are there significant residential uses, and if so, will residents support bond issuance for an EIFD or approval of the formation of a CRIA?
3. Perform a back-of-the-envelope analysis to determine the revenue potential. This cursory look could be done as follows:

STEP	EXAMPLE
Identify tax rate areas that roughly reflect the potential EIFD or CRIA	TRAs 10001 and 10002 approximate our ideal boundaries
Obtain assessed value reports by tax rate area from the Auditor Controller	Combined TRAs assessed value = \$10,000,000
Assume an annual assessed value growth rate, and add in any potential development to identify future increment above current assessed value	3% annual growth rate, no new development Year 1: $\$10M \times 3\% =$ new assessed value of \$10,300,000 Incremental assessed value: $\$10.3M - \$10M$ (base) = \$300,000
Multiply annual increment by 1%, then by the general levy share you anticipate can be achieved (e.g. city only, city and county, city and special district)	Incremental revenue: $\$300,000 \times 1\% = \$3,000$ Assume City and County participate with combined levy share of 25% $\$3,000 \times 25\% = \$750$ collected in Year 1
Project for 45 years (for estimating purposes) to determine gross increment	Repeat calculation: Year 2: $\$10,300,000$ AV $\times 3\%$ , less base, etc.

4. Up front funding to initiate an EIFD or CRIA could be expensive, including staff time, consultants, special counsel, etc. At a minimum, you will need to consider costs and time for:
  - a. More in-depth revenue estimates to determine fiscal feasibility
  - b. Outreach and negotiations with taxing agencies
  - c. Formation of Public Finance Authority / JPA if necessary
  - d. Drafting of Plan for adoption – note that both the Infrastructure Financing Plan and the Community Revitalization and Investment Plan are substantive documents, and are subject to CEQA.
  - e. In the case of a CRIA, the project could result in the need for a vote.
5. Can your general fund absorb growing costs of service delivery while giving up a portion of its revenue to an EIFD or CRIA?
6. Are potential projects already captured by other CEQA documentation, or can they be? For example, an EIR for a general plan update could double as the necessary documentation for an EIFD/CRIA if planned in advance.
7. When do you expect your redevelopment project area to expire, and is it an area still needing investment? Setting up an EIFD or CRIA now may put a tool in place you can leverage more later.

EIFDs and CRIAs are tools for entrepreneurial cities and counties that see an opportunity to leverage tax increment for the benefit of their communities. Yes, these tools probably aren't a silver bullet for the many issues that face us, and yes, initiating these efforts seems a bit daunting. However, Redevelopment – as we once knew it – was tough to get going as well. We learned, we got better at it, and have some really good examples of public investment and partnership throughout the state as a result. We can take those lessons and apply them here. You might already have projects in mind that could benefit from these districts; and if you don't, consider that we may see a revolution in land use, transportation, and environmental stewardship over the next 25 years. Putting these tools in place now may be just a part of preparing for the future.





# Tax Increment Financing Tools Comparison Chart

This chart was created by CALED's Tax Increment Financing Technical Committee to provide a summary of key similarities and differences between Enhanced Infrastructure Financing Districts (EIFDs), Community Revitalization Investment Authorities (CRIAs), and former Redevelopment Agencies (RDAs). To obtain more information and technical assistance on tax increment financing tools available to California cities and counties, visit [www.caled.org](http://www.caled.org).

## Powers

TOPIC	RDA	EIFD	CRIA
<b>Infrastructure Financing</b>	Yes, if no other reasonable means of financing available	Yes, for public capital facilities and projects of communitywide significance	Yes
<b>Land Acquisition</b>	Yes (may acquire itself or finance acquisition)	Yes (finance acquisition only)	Yes (may acquire itself or finance acquisition)
<b>Eminent Domain</b>	Yes – 12 year limit	No	Yes – 12 year limit
<b>Land Conveyance</b>	Yes	No	Yes
<b>Environmental Remediation</b>	Yes	Yes	Yes
<b>Affordable Housing</b>	Yes	Yes	Yes
<b>Private Commercial Rehabilitation</b>	Yes, for commercial rehabilitation loans and industrial/manufacturing financing	Yes, for acquisition, construction or repair of industrial structures	Yes
<b>Maintenance, Operations and Services</b>	No	No	No

## CALED Technical TIF Committee Members

**Aaron Laurel**,  
Economic Development & Housing Director,  
City of West Sacramento (Co-Chair)

**James Hamill**, Managing Director,  
CA Statewide Communities Development  
Authority (Co-Chair)

**Constantine Baranoff**, Shareholder,  
Kronick Moskovitz Tiedemann & Girard

**Jon Goetz**, Shareholder,  
Kronick Moskovitz Tiedemann & Girard

**Lynn Hutchins**, Partner,  
Goldfarb & Lipman LLP

**Debbie Kern**, Senior Principal,  
Keyser Marston Associates, Inc.

**Larry Kosmont**, President,  
Kosmont Companies

**Ellen Martin**, Executive Vice President, EPS

**Mike Nuby**, Manager, Economic  
Development Services,  
Southern California Edison

**Daniel Rofoli**, Consultant,  
Economic and Housing Development  
Division, Community Development  
Commission of Los Angeles County

**Nicholas Romo**, Legislative Policy Analyst,  
League of California Cities

**Alexa Smittle**, Principal,  
RSG, Inc.

**Randy Starbuck**, Consultant,  
A2B Consulting

**Rafael Yaquián**, Partner,  
Goldfarb & Lipman LLP



# Tax Increment Financing Tools Comparison Chart

## Formation

TOPIC	RDA	EIFD	CRIA
<b>Blight Finding</b>	Yes	No	80% of revitalization area income must be less than 80% statewide median income Must also meet 3 of 4 tests: 1. unemployment rate 3% higher than state rate 2. crime rate 5% higher than state rate 3. deteriorated/inadequate infrastructure 4. deteriorated commercial and residential buildings
<b>Urbanization Finding</b>	Yes	No	No
<b>Relationship with RDA</b>	-	<ul style="list-style-type: none"> <li>EIFD may include former redevelopment project area</li> <li>Successor Agency must have Finding of Completion for RDA project, RDA litigation must be resolved, Controller review must be complete</li> </ul>	<ul style="list-style-type: none"> <li>CRIA may include former redevelopment project area</li> <li>Successor Agency must have Finding of Completion for RDA project, RDA litigation must be resolved, Controller review must be complete</li> </ul>
<b>Citizen Committee Review</b>	Yes - if residential eminent domain allowed	No	Voter protest hearing
<b>Governing Board</b>	Usually same as City Council/ County Board that established RDA	<ul style="list-style-type: none"> <li>Governing board is separate public financing authority</li> <li>If one taxing entity: 3 members of entity's legislative body + 2 public members</li> <li>If multiple taxing entities: majority of members of each entity's legislative body + 2 public members</li> </ul>	<ul style="list-style-type: none"> <li>If one taxing entity: 3 members of entity's legislative body + 2 public members</li> <li>If multiple taxing entities: majority of members of each entity's legislative body + 2 public members</li> </ul>
<b>Noticed Public Hearing</b>	Yes	Yes	Yes - 3 hearings
<b>Preparation of Plan</b>	Yes - Redevelopment Plan	Yes - Infrastructure Financing Plan	Yes - Community Revitalization and Investment Plan
<b>Public Agency Vote</b>	Simple Majority	Simple Majority	Simple Majority
<b>Voter Approval of Formation</b>	No	No	Yes, if 25 - 50% of voters protest at public hearing
<b>CEQA</b>	Yes - EIR	Yes (may be covered by CEQA documentation for project)	Yes (may be covered by CEQA documentation for project)



# Tax Increment Financing Tools Comparison Chart

## Financing

TOPIC	RDA	EIFD	CRIA
<b>Property Tax Increment</b>	Yes – mandatory for all taxing agencies	Yes – only for consenting taxing agencies; education districts may not consent	Yes – only for consenting taxing agencies; education districts may not consent
<b>Amount of Tax Increment to District</b>	All	All or portions of consenting agencies' share as designated in plan	All or portions of consenting agencies' share as designated in plan
<b>Issuance of Tax Allocation Bonds</b>	Yes	Yes	Yes
<b>Vote for Bond Issuance</b>	RDA Board – Simple majority	IFD Board – simple majority + District Voters – 55% majority	No (issuance of bonds provided for in plan adopted by Authority)
<b>Term</b>	Up to 45 years receipt of taxes to repay debt	Up to 45 years from issuance of bonds	Up to 45 years from district formation
<b>Relationship to RDA Debt</b>	-	Subordinate to RDA enforceable obligations	Subordinate to RDA enforceable obligations

## Special Requirements

TOPIC	RDA	EIFD	CRIA
<b>Mandatory Expenditure for Affordable Housing</b>	Yes – 20% of funds	No	Yes – 25% of funds
<b>Inclusionary Housing</b>	Yes – 15% of privately developed housing, 30% of RDA developed housing	Yes – 100% of EIFD financed housing	Yes – 15% of privately developed housing, 30% of CRIA developed housing
<b>Replacement Housing</b>	Yes	Yes	Yes
<b>Relocation</b>	Yes	Yes	Yes
<b>Owner Participation Rights</b>	Yes	No	No
<b>Restriction on Assistance to Big Box Stores and Auto Dealers</b>	Yes	No	Yes
<b>Prevailing Wages</b>	<ul style="list-style-type: none"> <li>Required for RDA's own projects</li> <li>For assistance to other projects, depends on form of assistance</li> </ul>	Depends on form of assistance	Depends on form of assistance
<b>Tax Sharing Payments to Other Taxing Agencies</b>	Yes – Required for 1994-2011 plans, permitted for pre-1994 plans	No	No



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  - From Application to Approval: The process and politics of getting a project through completion.
  - Making it Work: Analyzing hypothetical case studies.



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**Housing, Community and Economic Development Policy Committee  
2022 Bills of Note  
April 2022**

**Planning and Zoning**

**AB 1748 (Seyarto) Exempt surplus land: regional housing need.**

This bill would add to the definition of "exempt surplus land," surplus land that is zoned for a density of up to 30 residential units, if residential properties within a radius of 500 feet of the site are zoned to have an allowable density of fewer than 30 dwelling units per acre and the most recent annual progress report, as described, submitted by the city or county that owns the surplus land shows that the total number of low-income and very low income housing units built within the city or county meets or exceeds proportionate annual progress toward the number of those housing units needed to meet the city's or county's share of regional housing need for the 6th cycle of its housing element, as described.

**AB 1976 (Santiago) Planning and zoning: housing element compliance: very low and lower income households.**

This bill would authorize the Department of Housing and Community Development, after notifying the city or county of the violation of the housing element provision and before notifying the Attorney General, either to complete the rezoning to accommodate 100 percent of the allocated need for housing for very low and lower income households on behalf of a local government within the Counties of Imperial, Los Angeles, Orange, Riverside, San Bernardino, or Ventura that failed to complete that rezoning by the required deadline, or to impose administrative civil penalties upon the local government of up to \$10,000 per day until the local government is no longer in violation of state law or the department decides to refer the violation to the Attorney General.

**AB 2234 (Rivas, Robert) Planning and zoning: housing: postentitlement phase permits.**

The bill would require a public agency to compile a list of information needed to approve or deny a postentitlement phase permit, as defined, to post an example of an ideal application and an example of an ideal complete set of postentitlement phase permits for the most common housing development projects in the jurisdiction, and to make those items available to all applicants for these permits no later than January 1, 2024. The bill would define "public agency" for these purposes to mean a city, county, or city and county. No later than January 1, 2024, except as specified, the bill would require a public agency to require permits to be applied for, completed, and stored through a process on its website, and to accept applications and related documentation by electronic mail until that internet website is established. The bill would require the website or electronic mail to list the current processing status of the applicant's permit by the public agency, and would require that status to note whether it is being reviewed by the agency or action is required from the applicant.

**AB 2339 (Bloom) Housing element: emergency shelters: regional housing need.**

This bill would revise the requirements of the housing element in connection with zoning designations that allow residential use, including mixed use, where emergency shelters are allowed as a permitted use without a conditional use or other discretionary permit. The bill would prohibit a city or county from establishing overlay districts to comply with these provisions.

**AB 2656 (Ting) Housing Accountability Act: disapprovals: California Environmental Quality Act.**

This bill would define “disapprove the housing development project” as also including any instance in which a local agency denies a project an exemption from CEQA for which it is eligible, as described, or requires further environmental study to adopt a negative declaration or addendum for the project or to certify an environmental impact report for the project when there is a legally sufficient basis in the record before the local agency to adopt a negative declaration or addendum or to certify an environmental impact report without further study.

**AB 2705 (Quirk-Silva) Housing: fire safety standards.**

This bill would prohibit the legislative body of a city or county from approving a discretionary entitlement, as defined, that would result in a new residential development project, as defined, being located within a very high fire hazard severity zone, unless the city or county finds that the residential development project will meet specified standards intended to address wildfire risks, as specified, and would provide that these provisions do not limit or prohibit a legislative body of a city or county from adopting more stringent standards.

**Accessory Dwelling Units (ADUs)**

**SB 897 (Wieckowski) Accessory Dwelling Units.**

This bill would make numerous changes to existing ADU law. Most notably, SB 897 would require local governments to allow ADUs to be constructed with a height of up to 25 feet.

**Affordable Housing**

**AB 1850 (Ward) Public housing: unrestricted multifamily housing.**

This bill would prohibit a city, county, city and county, joint powers authority, or any other political subdivision of a state or local government from acquiring unrestricted multifamily housing, as defined, unless each unit in the development meets specified criteria, including that the initial rent for the first 12 months postconversion is at least 10 percent less than the average monthly rent charged for the unit over the 12-month period prior to conversion and at least 20 percent less than the small area fair market rent.

**AB 1910 (Garcia, Cristina) Publicly owned golf courses: conversion: affordable housing.**

This bill would, upon appropriation by the Legislature, require the Department of Housing and Community Development to administer a program to provide incentives in the form of grants to local agencies that enter into a development agreement to convert a golf course owned by the local agency into housing and publicly accessible

open space, as specified. This bill would require the department to award funding in accordance with the number of affordable units a local agency proposes to construct.

**AB 1945 (Aguiar-Curry) Affordable Disaster Housing Revolving Development and Acquisition Program.**

This bill would require the Department of Housing and Community Development to establish and administer the Affordable Disaster Housing Revolving Development and Acquisition Program to fund the predevelopment expenses, acquisition, construction, reconstruction, and rehabilitation of property to develop or preserve affordable housing in the state's declared disaster areas that have experienced damage and loss of homes occupied by or affecting lower income households. The bill would require the department to establish an application process for community development financial institutions, as defined, to apply for emergency short-term or temporary loans under the program.

**AB 2011 (Wicks) Affordable Housing and High Road Jobs Act of 2022.**

This bill would make certain housing developments that meet specified affordability and site criteria and objective development standards a use by right within a zone where office, retail, or parking are a principally permitted use, and would subject these development projects to one of two streamlined, ministerial review processes. The bill would require a development proponent for a housing development project approved pursuant to the streamlined, ministerial review process to require, in contracts with construction contractors, that certain wage and labor standards will be met, including that all construction workers shall be paid at least the general prevailing rate of wages, as specified. The bill would require a development proponent to certify to the local government that those standards will be met in project construction.

**AB 2053 (Lee) The Social Housing Act.**

This bill would enact the Social Housing Act and would create the California Housing Authority, as an independent state body, the mission of which would be to produce and acquire social housing developments for the purpose of eliminating the gap between housing production and regional housing needs assessment targets, as specified. The bill would prescribe a definition of social housing that would describe, in addition to housing owned by the authority, housing owned by other entities, as specified, provided that all social housing developed by the authority would be owned by the authority. The bill would prescribe the composition of the California Housing Authority Board, which would govern the authority, and would be composed of appointed members and members who are elected by residents of social housing developments, as specified. The bill would prescribe the powers and duties of the authority and the board. The bill would provide that the authority is bound to revenue neutrality, as defined, and would require the authority to recover the cost of development and operations over the life of its properties through the mechanism of rent cross-subsidization, as defined.

**AB 2295 (Bloom) Local educational agencies: housing development projects.**

This bill would deem a housing development project an allowable use on any real property owned by a local educational agency, as defined, if the housing development satisfies certain conditions, including other local objective zoning



standards, objective subdivision standards, and objective design review standards, as described. The bill would deem a housing development that meets these requirements consistent, compliant, and in conformity with local development standards, zoning codes or maps, and the general plan. The bill, among other things, would authorize the land used for the development of the housing development to be jointly used or jointly occupied by the local educational agency and any other party, subject to specified requirements.

#### **Mitigation Fees/Development Fees**

##### **AB 2063 (Berman) Density bonuses: affordable housing impact fees.**

This bill would prohibit affordable housing impact fees, including inclusionary zoning fees and in-lieu fees, from being imposed on a housing development's density bonus units, unless the city, county, or city and county has adopted a local density bonus ordinance or established a local housing program on or before January 1, 2022, that allows for a density bonus of at least 50 percent for any for-sale or rental housing development containing restricted affordable units that dedicates a specified percentage of units for extremely low, very low, low-, or moderate-income households. By imposing new restrictions on the ability of a local government to impose affordable housing impact fees, the bill would impose a state-mandated local program.

#### **Mobilehomes**

##### **SB 1307 (Rubio) Department of Housing and Community Development: Mobilehome Parks Act: Special Occupancy Parks Act.**

This bill would require the Department of Housing and Community Development to post an explanation of the process for a city, county, or city and county to assume the enforcement responsibilities pursuant to the acts described above, on its internet website, in multiple languages. The bill would also require the department to send an annual notice that explains the process to every city, county, or city and county government that has a mobilehome park located within its jurisdiction.

#### **Miscellaneous**

##### **AB 2097 (Friedman) Residential and commercial development: remodeling, renovations, and additions: parking requirements.**

This bill would prohibit a public agency from imposing a minimum automobile parking requirement, or enforcing a minimum automobile parking requirement, on residential, commercial, or other development if the development is located on a parcel that is within one-half mile of public transit, as defined. When a project provides parking voluntarily, the bill would authorize a public agency to impose specified requirements on the voluntary parking. The bill would prohibit these provisions from reducing, eliminating, or precluding the enforcement of any requirement imposed on a new multifamily or nonresidential development to provide electric vehicle supply equipment installed parking spaces or parking spaces that are accessible to persons with disabilities.

##### **AB 2357 (Ting) Surplus land.**

This bill would also require the Department of Housing and Community Development to maintain on its website a listing of all entities, including housing sponsors, that have



notified the department of their interest in surplus land for the purpose of developing low- and moderate-income housing.

**AB 2386 (Bloom) Planning and zoning: tenancy in common subject to an exclusive occupancy agreement.**

This bill would, except as specified, authorize the legislative body of a local agency to regulate by ordinance the design and improvement of any multifamily property held under a tenancy in common subject to an exclusive occupancy agreement, as defined, including by requiring instruments governing the operation and maintenance of common areas.

**SB 1067 (Portantino) Housing development projects: automobile parking requirements.**

This bill would prohibit a city, county, or city and county from imposing any minimum automobile parking requirement on a housing development project that is located within 1/2 mile of public transit, as defined, and that either (1) dedicates 25 percent of the total units to very low, low-, and moderate-income households, students, the elderly, or persons with disabilities or (2) the developer demonstrates that the development would not have a negative impact on the city's, county's, or city and county's ability to meet specified housing needs and would not have a negative impact on existing residential or commercial parking within 1/2 mile of the project, unless the city, county, or city and county makes specified findings. By changing the duties of local planning officials, this bill would impose a state-mandated local program.

**SB 1290 (Allen) Sidewalk vendors.**

Current law prohibits a local authority, as defined, from regulating sidewalk vendors, except in accordance with specified provisions. Current law establishes that a violation of a local authority's sidewalk vending program is punishable only by an administrative fine, subject to an ability-to-pay determination, and rescission of a permit issued to a sidewalk vendor for the term of that permit upon the 4th violation or subsequent violations, as specified. Current law requires a local authority to accept 20 percent of the administrative fine under specified circumstances. This bill would authorize a local authority not to make an ability-to-pay determination when assessing an administrative fine and would permit a local authority to not accept 20 percent of the administrative fine for the 4th violation or subsequent violations within one year of the first violation.

**SB 1457 (Hertzberg) Housing: California Family Home Construction and Homeownership Bond Act of 2022.**

This bill would enact the California Family Home Construction and Homeownership Bond Act of 2022 (bond act), which, if adopted, would authorize the issuance of bonds in the amount of \$25 billion pursuant to the State General Obligation Bond Law to finance the California Family Home Construction and Homeownership Program, established as part of the bond act. The bill would authorize the California Housing Finance Agency to award California Socially Responsible Second Mortgage Loans to eligible applicants to use as a down payment or to pay closing costs on the purchase of a new home. The bill would also authorize the agency to award Family Homeownership Opportunity Infrastructure Improvement Loans to developers to be used for predevelopment infrastructure improvements and other upfront costs typically

incurred in connection with new home construction, under specified conditions. The bill would require that moneys received from a loan recipient for the repayment of financing provided under the program be used to pay debt service when due on bonds issued pursuant to the bond act.