



METROPOLITAN  
TRANSPORTATION  
COMMISSION

Agenda Item 2c(ii)

Joseph P. Bort MetroCenter  
101 Eighth Street  
Oakland, CA 94607-4700  
TEL 510.817.5700  
TDD/TTY 510.817.5769  
FAX 510.817.5848  
E-MAIL [info@mtc.ca.gov](mailto:info@mtc.ca.gov)  
WEB [www.mtc.ca.gov](http://www.mtc.ca.gov)

*Memorandum*

TO: Legislation Committee

DATE: May 4, 2012

FR: Executive Director

W. I. 1131

RE: SB 654, SB 1151 and SB 1156 (Steinberg): Affordable Housing & Replacement Funding for Redevelopment

**Background**

Senator Steinberg is carrying a trio of bills dealing with the subject of affordable housing and redevelopment in the wake of the recent dissolution of redevelopment agencies. While the bills are moving on separate legislative tracks, it is expected that one, two or all three will ultimately be taken up as trailer bills to the FY 2012-13 State Budget, making them effective immediately.

As you know, the elimination of redevelopment agencies has resulted in the loss of approximately \$1 billion per year in funding for affordable housing statewide. These bills seek to (1) protect redevelopment agency funds that were already dedicated to this purpose; (2) ensure that the assets that remain are not liquidated at “fire sale” prices and (3) create an opportunity for new revenue to promote affordable housing and economic development.

**Recommendation:** Support

**SB 654 Seeks to Preserve Affordable Housing Funding**

SB 654 is clean-up legislation intended to preserve roughly \$1.4 billion in outstanding balances in Low and Moderate Income (L&M) Funds statewide. While the Governor’s original proposal to eliminate redevelopment agencies allowed host cities and counties to retain the L&M fund balances, the final bill adopted by the Legislature to eliminate redevelopment agencies (AB 26X) did not include this option. The Legislature subsequently enacted SB 8X, which mirrored the language in SB 654, but the Governor vetoed the bill due to pending litigation. Legislative Counsel has since determined that L&M funds are indeed assets of the redevelopment agency. This bill simply allows local agencies to keep these assets to develop affordable housing.

**SB 1151 Creates a Planning Process for Redevelopment Agency Assets**

SB 1151 seeks to address a concern that the elimination of redevelopment agencies and the requirement that assets be disposed of “expeditiously and in a manner aimed at maximizing value” may result in a “fire sale” of the former redevelopment agencies’ real property assets and a transfer of wealth from the public to private sectors. SB 1151 provides that in a jurisdiction that forms a Community Development and Housing Joint Powers Authority (JPA) by August 1, 2012, the JPA may retain the assets of the former redevelopment agency in a Sustainable Economic Development and Housing Trust Fund. The bill authorizes trust funds to be used for various purposes, including financing or maintaining public or private infrastructure needed for infill development (consistent with Senate Bill 375, Steinberg, 2008), affordable housing, environmental mitigation, former military bases, clean energy and energy efficiency, as well as educational, labor-management, and job training programs leading to high skill, high wage jobs.

**SB 1156 Establishes a New Framework for Redevelopment**

This bill would create several new revenue and economic development tools to aid local efforts to facilitate the construction of affordable housing and clean energy manufacturing. SB 1156 allows cities and counties to form a Community Development and Housing Joint Powers Authority (JPA), which equips them with a variety of local economic development and housing tools, including Tax Increment Financing (TIF), Community Redevelopment Law powers, local sales taxes, infrastructure financing districts, and the ability to leverage public pension fund investments for specified types of projects that are consistent with a region’s adopted Sustainable Communities Strategy (SCS). Project areas can include transit priority projects, as defined in state law, as well as small walkable communities, and sites that have land use approvals restricting the sites to clean energy manufacturing. Significantly, no finding of “blight” is required for an area to be eligible.

SB 1156’s JPA model is intended to promote collaboration between cities and counties on local economic development efforts and mitigate the zero-sum competition for scarce property tax revenues among cities, counties, and school districts. With regard to affordable housing, SB 1156 also requires that funds remaining in a jurisdiction’s L&M Fund be contracted for use within 5 years or be transferred to an agency designated by the Governor to be used for the provision of affordable housing to low and moderate income households. The bill empowers a JPA with all of the powers granted to Infrastructure Financing Districts. Likewise, JPAs could place local optional sales taxes on the ballot and issue bonds.

**Achievement of Plan Bay Area’s Goals Requires New Affordable Housing Funds**

SB 654 and SB 1151 are related bills that protect the assets from former redevelopment agencies from being diverted from affordable housing and, in the case of SB 1151, infill development and other activities. SB 1156 goes several steps further, by creating significant opportunities for *new* sources of revenue that can be used to promote infill development, consistent with the SCS. In light of Plan Bay Area’s focus on accommodating the region’s population growth within priority development areas and providing housing to meet the needs of all-income levels, MTC staff believes all three bills warrant our support. While SB 1156 faces a challenging two-thirds vote hurdle in the Legislature, the ultimate success of the legislation will depend on building a strong and diverse coalition. MTC’s support can help draw the attention of other metropolitan planning organizations and transportation agencies in support of the critical goal of enhancing revenue options for affordable housing and economic development at the local level.

**Known Positions**

(See attached)

  
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Steve Heminger