SB 15 (Portantino)
Property tax revenue allocations: successor agencies.

PROBLEM

Redevelopment's dissolution deprived many local agencies of the primary tool they used to eliminate physical and economic blight, finance new construction, improve public infrastructure, rehabilitate existing buildings, and increase the supply of affordable housing. California has consistently failed in meeting the state's housing needs, especially in dealing with low-income affordable housing.

BACKGROUND

California is in the midst of a serious housing crisis. California is home to 21 of the 30 most expensive rental-housing markets in the country, which has had a disproportionate impact on the middle class and the working poor.

A major factor in this crisis is the state's housing shortage. From 1954-1989, California constructed an average of more than 200,000 new homes annually, with multifamily housing accounting for the largest share of housing production. Since then, however, construction has dropped significantly. HCD estimates that approximately 1.8 million new housing units—180,000 new homes per year—are needed to meet the state's projected population and housing growth by 2025.

From the early 1950s until they were dissolved in 2011, California redevelopment agencies (RDAs) used property tax increment financing to pay for economic development projects in blighted areas. Generally, property tax increment financing involves a city or county forming a tax increment-financing district to issue bonds and use the bond proceeds to pay project costs within the boundaries of a specified project area. To repay the bonds, the district captures increased property tax revenues that are generated when projects financed by the bonds increase assessed property values within the project area.

Until their dissolution, state law required RDAs to set-aside 20% of funding generated in a project area to increase the supply of low- and moderate-income housing. At the time RDAs were dissolved, the Controller estimated that statewide, RDAs were obligated to spend $1 billion on affordable housing.

In 1992-93 and 1993-94, in response to serious budgetary shortfalls, the state permanently redirected almost one-fifth of total statewide property tax revenue from cities, counties, and special districts to K-12 and community college districts. Under the changes in property tax allocation laws, county auditors deposit the redirected property tax revenue into a countywide fund for schools, also known as a county's Educational Revenue Augmentation Fund (ERAF). In 2017-18, cities, counties, and special districts deposited around $9.6 billion into county ERAFs.

SUMMARY

This bill, for the 2020–21 fiscal year and each fiscal year thereafter, would require the county auditor of a county in which a successor agency, as defined, is located to decrease the amount of ad valorem property tax revenue that is otherwise required to be allocated to the county Educational Revenue Augmentation Fund by the countywide local-state sustainable investment amount and to allocate a commensurate amount to the successor agencies that are located within the county. The bill would require the successor agencies to use these funds for specified purposes, including to increase the availability of affordable housing.

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SB XXX– Fact Sheet
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EXISTING LAW

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally provides that each jurisdiction shall be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law also reduces the amount of ad valorem property tax revenue that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation requirements by requiring, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94fiscal years, that the amount of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas.

Existing property tax law requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education.

SUPPORT

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