

AMENDED IN SENATE MARCH 21, 2019

AMENDED IN SENATE MARCH 18, 2019

**SENATE BILL**

**No. 5**

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**Introduced by Senators Beall and McGuire**  
**(Principal coauthor: Senator Roth)**  
**(~~Coauthor: Senator Caballero~~)**  
**(Coauthors: Senators Caballero and Hueso)**

December 3, 2018

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An act to add Section 41202.6 to the Education Code, to add Part 4 (commencing with Section 55900) to Division 2 of Title 5 of the Government Code, and to add Section 97.68.1 to the Revenue and Taxation Code, relating to local ~~government~~. *government finance*.

LEGISLATIVE COUNSEL'S DIGEST

SB 5, as amended, Beall. Affordable Housing and Community Development Investment Program.

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, subject to certain modifications. Existing law requires an annual reallocation of property tax revenue from local agencies in each county to the Educational Revenue Augmentation Fund (ERAF) in that county for allocation to specified educational entities.

Existing law authorizes certain local agencies to form an enhanced infrastructure financing district, affordable housing authority, transit village development district, or community revitalization and investment authority for purposes of, among other things, infrastructure, affordable housing, and economic revitalization.

This bill would establish in state government the Affordable Housing and Community Development Investment Program, which would be administered by the Affordable Housing and Community Development Investment Committee. The bill would authorize a city, county, city and county, joint powers agency, enhanced infrastructure financing district, affordable housing authority, community revitalization and investment authority, transit village development district, or a combination of those entities, to apply to the Affordable Housing and Community Development Investment Committee to participate in the program and would authorize the committee to approve or deny plans for projects meeting specific criteria.

The bill would require the Affordable Housing and Community Development Investment Committee to adopt guidelines for plans and approve no more than \$200,000,000 per year from July 1, 2020, to June 30, 2025, and \$250,000,000 per year from July 1, 2025, to June 30, 2029, in reductions in annual ERAF contributions for applicants for plans approved pursuant to this program. This bill would provide that eligible projects include, among other things, construction of workforce and affordable housing, certain transit oriented development, and projects promoting strong neighborhoods.

The bill would require the Affordable Housing and Community Development Investment Committee, upon approval of a plan, to issue an order directing the county auditor to reduce the total amount of ad valorem property tax revenue otherwise required to be contributed to the county's ERAF from the applicant by the annual reduction amount approved. *The bill would require a county auditor, auditor to deposit the total annual reduction amount approved within a county into the Affordable Housing and Community Development Investment Fund, which is created by this bill in the treasury of each county, and allocate moneys in that fund as directed by the committee, as specified. The bill would require the auditor, if the applicant is an enhanced infrastructure financing district, affordable housing authority, transit village development district, or community revitalization investment authority, to transfer to the district or authority city or county that created the authority or district an amount of property tax revenue equal to the reduction amount approved by the Affordable Housing and Community Development Investment Committee. Committee for that authority or district. The bill would require the city or county that created the district to, upon receipt, transfer those funds to the authority or district in an amount equal to the affordable housing and community development*

*investment amount for that authority or district.* By imposing additional duties on local officials, the bill would impose a state-mandated local program. The bill would authorize applicants to use approved amounts to incur debt or issue bonds or other financing to support an approved project.

The bill also would require each applicant that has received funding to submit annual reports, as specified, and would require the Affordable Housing and Community Development Investment to provide a report to the Joint Legislative Budget Committee that includes certain project information.

Section 8 of Article XVI of the California Constitution sets forth a formula for computing the minimum amount of revenues that the state is required to appropriate for the support of school districts and community college districts for each fiscal year.

This bill would require the Director of Finance to adjust the percentage of General Fund revenues appropriated for school districts and community college districts for these purposes in a manner that ensures that the reductions in contributions to a county's ERAF pursuant to the Affordable Housing and Community Development Investment Program have no net fiscal impact upon the total amount of the General Fund revenue and local property tax revenue allocated to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution, as specified.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) In recent years the Legislature has created several new
- 4 opportunities to use tax increment financing, which include the
- 5 formation of enhanced infrastructure financing districts, affordable

1 housing authorities, and community revitalization investment  
2 authorities. While these new tools can be useful to local agencies,  
3 they are widely viewed as lacking sufficient financial capacity  
4 compared to what existed under the former tax increment financing  
5 tool utilized by community redevelopment agencies.

6 (1) Under redevelopment, all of the growth in property tax (tax  
7 increment) within a project area over a base year, net of mandatory  
8 pass-through payments, that would otherwise be allocated to cities,  
9 counties, special districts and school districts was dedicated to  
10 redevelopment purposes. Under the new tax increment tools,  
11 however, property tax increment from affected taxing agencies  
12 other than the initiating city or county can only be dedicated with  
13 the approval of the affected local agencies.

14 (2) While potential local partnerships between cities, counties,  
15 and special districts involving new economic development tools  
16 continue to be explored by the state and local governments, a reality  
17 is that the state and local governments often have other policy and  
18 budget priorities, and lack incentives to participate.

19 (3) The language in the new tax increment laws currently  
20 prohibit school districts from participating, largely reflecting state  
21 concerns over potential backfill requirements for school funding  
22 under the requirements of Proposition 98 of 1988.

23 (b) The state shares many policy priorities with local  
24 governments, including affordable housing and economic  
25 development, that can be advanced by creating a new infrastructure  
26 financing tool that would focus on the following:

27 (1) Increasing the production of affordable housing available  
28 to very low, low-, and moderate-income families.

29 (2) Expanding transit-oriented development at higher densities.

30 (3) Reducing jobs-housing imbalances in areas with high job  
31 growth.

32 (4) Increasing the availability of high-quality jobs through the  
33 rehabilitation, construction, and maintenance of housing and  
34 infrastructure.

35 (5) Improving the quality of life in neighborhoods and  
36 disadvantaged communities.

37 (6) Incentivizing growth in urban areas, thereby reducing sprawl  
38 and ensuring that open space is preserved throughout the state.

1 (7) Reducing poverty and caseloads of state and county safety  
2 net support programs by incentivizing the training and hiring of  
3 affected individuals to jobs where they can be self-supporting.

4 (8) Protecting communities dealing with the effects of sea level  
5 rise, which is one of the most significant threats of climate change.

6 (c) The Legislature has declared that the policy priorities listed  
7 in subdivision (b) are matters of statewide concern. It is therefore  
8 appropriate that the state and local governments contribute  
9 financially to the realization of these priorities.

10 (d) By allowing local agencies to reduce their contributions to  
11 their county's Educational Revenue Augmentation Fund (ERAF)  
12 to fund affordable housing projects and related infrastructure, the  
13 state can advance its policy priorities while also protecting funding  
14 for schools and limiting effects on the state budget. The state's  
15 interests can be ensured and protected in the following manner:

16 (1) Requiring approval of the newly created Affordable Housing  
17 and Community Development Investment Committee, to ensure  
18 that the investment of property taxes otherwise allocated to schools  
19 through a county's educational revenue augmentation fund are  
20 used only for projects that maximize state policy benefits while  
21 ensuring that an economic analysis projects increased property tax  
22 revenues for schools in the affected territory upon project  
23 completion.

24 (2) Offering additional incentives to participating counties and  
25 special districts.

26 (3) Establishing an annual cap on the total affordable housing  
27 and community development investment amount that may be  
28 approved to be allocated by the Affordable Housing and  
29 Community Development Investment Committee, as follows:

30 (A) Not to exceed two hundred million dollars (\$200,000,000)  
31 annually between July 1, 2020, and June 30, 2025.

32 (B) Not to exceed two hundred fifty million dollars  
33 (\$250,000,000) annually between July 1, 2025, and June 30, 2029.

34 (4) Requiring annual reports to the Legislature on the status of  
35 all projects funded through this program.

36 (e) It is the intent of the Legislature that schools and community  
37 colleges receive no less total funding from General Fund and local  
38 property tax revenue as a result of the bill.

39 (f) It is the intent of the Legislature to have the state provide  
40 increased funding in an amount that equals reductions in local

1 ERAF funds to the point necessary for schools to meet their  
2 minimum funding guarantee pursuant to existing law.

3 (g) It is the intent of the Legislature that local agencies receive  
4 the same amount of excess ERAF as they would have if the  
5 program established by this bill were not in effect.

6 SEC. 2. Section 41202.6 is added to the Education Code, to  
7 read:

8 41202.6. (a) It is the intent of the Legislature to ensure that  
9 the program authorized by the Affordable Housing and Community  
10 Development Investment Program established by Part 4  
11 (commencing with Section 55900) of Division 2 of Title 5 of the  
12 Government Code does not affect the amount of funding required  
13 to be applied for the support school districts and community college  
14 districts pursuant to Section 8 of Article XVI of the California  
15 Constitution.

16 (b) The Director of Finance shall adjust “the percentage of  
17 General Fund revenues appropriated for school districts and  
18 community college districts” for the purpose of applying paragraph  
19 (1) of subdivision (b) of Section 8 of Article XVI of the California  
20 Constitution in a manner that ensures that reductions in  
21 contributions to a county’s Educational Revenue Augmentation  
22 Fund authorized by Section 97.68.1 of the Revenue and Taxation  
23 Code shall have no net fiscal impact upon the total amount of  
24 General Fund revenue and local property tax revenue allocated to  
25 school districts and community college districts pursuant to Section  
26 8 of Article XVI of the California Constitution. The Director of  
27 Finance shall make this adjustment effective with the 2020–21  
28 fiscal year, consistent with the start of the grant program pursuant  
29 paragraph (1) of subdivision (a) of Section 55906 of the  
30 Government Code. The Director of Finance shall update the  
31 adjustment for subsequent increases or decreases in the amount of  
32 reductions authorized by Affordable Housing and Community  
33 Development Investment Program.

34 SEC. 3. Part 4 (commencing with Section 55900) is added to  
35 Division 2 of Title 5 of the Government Code, to read:

1 PART 4. AFFORDABLE HOUSING AND COMMUNITY  
2 DEVELOPMENT INVESTMENT PROGRAM

3  
4 55900. This part is known and may be cited as the Affordable  
5 Housing and Community Development Investment Program.

6 55901. The Affordable Housing and Community Development  
7 Investment Program is hereby established to create a local-state  
8 partnership to reduce poverty and advance other state priorities  
9 financed, in part, by property tax increment.

10 55902. As used in this part, the following terms have the  
11 following meanings:

12 (a) “Affordable housing and community development investment  
13 amount” is the amount of property tax revenue allocated pursuant  
14 to Section 97.68.1 of the Revenue and Taxation Code.

15 (b) “Applicant” means any entity identified in paragraph (a) of  
16 Section 55905 that has submitted ~~an application~~ *a plan* to the  
17 committee pursuant to that section.

18 (c) “Committee” means the Affordable Housing and Community  
19 Development Investment Committee established by Section 55904.

20 (d) “Plan” means an application for one or more projects that  
21 is submitted to the committee.

22 (e) “Program” means the Affordable Housing and Community  
23 Development Investment Program established by this part.

24 (f) “Project” shall include:

25 (1) A project undertaken by a city, county, city or county, joint  
26 powers authority, enhanced infrastructure financing district,  
27 affordable housing authority, community revitalization and  
28 investment authority, or a transit village development district.

29 (2) A transit priority project that meets the requirements of  
30 subdivision (d) of section 65470.

31 (g) “Skilled and trained workforce” has the same meaning as  
32 set forth in Chapter 2.9 (commencing with Section 2600) of Part  
33 1 of Division 2 of the Public Contract Code.

34 (h) “Transit Priority Project Program” has the same meaning  
35 as contained in Section 65470.

36 55903. (a) Funding allocated to the program shall be used to  
37 support a plan that includes affordable housing. Eligible uses of  
38 this funding include:

1 (1) Construction of affordable housing. For purposes of this  
2 section, the term “affordable housing” means housing affordable  
3 to households earning under 120 percent of area median income.

4 (2) Transit-oriented development in priority locations that  
5 maximize density and transit use, and contribute to the reduction  
6 of vehicle miles traveled and greenhouse gas emissions. Fiscal  
7 incentives shall be offered to offset local community impacts  
8 associated with greater densities.

9 (3) Infill development and equity by rehabilitating, maintaining,  
10 and improving existing infrastructure that supports infill  
11 development and appropriate reuse and redevelopment of  
12 previously developed, underutilized land that is presently served  
13 by transit, street, water, sewer, and other essential services,  
14 particularly in underserved areas, and to preserving cultural and  
15 historic resources.

16 (4) Promoting strong neighborhoods through support of local  
17 community planning and engagement efforts to revitalize and  
18 restore neighborhoods, including repairing infrastructure and parks,  
19 rehabilitating and building housing, promoting public-private  
20 partnerships, supporting small businesses and job growth for  
21 affected residents.

22 (5) Protecting communities dealing with the effects of sea level  
23 rise, which is one of the most significant threats of climate change,  
24 including the construction, repair, replacement, and maintenance  
25 infrastructure related to protecting communities from sea level  
26 rise.

27 (6) The acquisition, construction, or rehabilitation of land or  
28 property pursuant to eligible uses of funding specified in  
29 paragraphs (1) to (5), inclusive.

30 (b) At least 50 percent of the funding provided pursuant to the  
31 program and at least 50 percent of the funding of each project  
32 included in the plan shall be allocated according to paragraph (1)  
33 of subdivision (a).

34 (c) (1) Except as provided in paragraph (2), any plan approved  
35 pursuant to the program shall be subject to a recorded affordability  
36 restriction that requires the project or projects to include a  
37 minimum of 30 percent of the total number of housing units to be  
38 available at an affordable rent or affordable housing cost to, and  
39 occupied by, households earning below 120 percent of the area  
40 median income for at least 55 years.

1 (2) If the local agency has adopted a local ordinance that requires  
2 that greater than 30 percent of the units in a project be dedicated  
3 to housing affordable to households making below 120 percent of  
4 the area median income, that ordinance shall apply.

5 (d) The affordable housing and community development  
6 investment amount shall not be used to subsidize the construction  
7 of market rate units. It is the intent of the Legislature to preserve  
8 the incentives for affordable housing provided by existing density  
9 bonus law.

10 (e) (1) At least 12 percent of the overall funding for the program  
11 shall be set aside for counties with populations of less than 200,000.  
12 Of this amount, 2 percent shall be set aside to provide technical  
13 assistance for counties with populations of less than 200,000, which  
14 shall not be considered administrative costs for purposes of a plan.

15 (2) Notwithstanding subdivision (a) of Section 55906, to the  
16 extent that all funds set aside in one year for counties with  
17 populations of less than 200,000 are not dedicated to plans  
18 approved by the committee, the amount of funds not dedicated  
19 shall be available to counties with populations of less than 200,000  
20 residents in the following year pursuant to this program.

21 (f) All projects approved pursuant to the program shall be  
22 considered public work for purposes of Chapter 1 (commencing  
23 with Section 1720) of Part 7 of Division 2 of the Labor Code.

24 55904. (a) The Affordable Housing and Community  
25 Development Investment Committee is hereby established and  
26 shall be comprised of the following:

27 (1) The Chair of the Strategic Growth Council, or the chair's  
28 designee.

29 (2) The Chair of the California Infrastructure and Economic  
30 Development Bank, or the chair's designee.

31 (3) The Chair of California Workforce Investment Board, or  
32 the chair's designee.

33 (4) The Director of Housing and Community Development, or  
34 the director's designee.

35 (5) Two people appointed by the Speaker of the Assembly.

36 (6) Two people appointed by the Senate Committee on Rules.

37 (7) One public member appointed by the Joint Legislative  
38 Budget Committee who has expertise in education finance.

39 (b) The committee shall review and approve or deny ~~applications~~  
40 *plans* received pursuant to Section 55905.

1 (c) The Department of Housing and Community Development  
2 shall provide the technical assistance and administrative support  
3 necessary for the committee to consider ~~applications~~ *plans*.

4 55905. (a) ~~An application~~ *A plan* for the affordable housing  
5 and community development investment amount may be submitted  
6 by any of the following:

7 (1) A city, county, or city and county.

8 (2) A joint powers authority formed pursuant to Chapter 5  
9 (commencing with Section 6500) of Division 7 of Title 1 that is  
10 composed of entities that may submit ~~an application~~ *a plan*  
11 pursuant to this subdivision.

12 (3) An enhanced infrastructure financing district established  
13 pursuant to Chapter 2.99 (commencing with Section 53398.50) of  
14 Part 1 of Division 2 of Title 5.

15 (4) An affordable housing authority established pursuant to  
16 Division 5 (commencing with Section 62250) of Title 6.

17 (5) A community revitalization and investment authority  
18 established pursuant to Division 4 (commencing with Section  
19 62000) of Title 6.

20 (6) A transit village development district established pursuant  
21 to Article 8.5 (commencing with Section 65460) of Chapter 3 of  
22 Division 1 of Title 7.

23 (b) A plan to participate in the program may be submitted to  
24 the committee and shall include all of the following information:

25 (1) A description of the proposed project or projects to be  
26 completed by the applicant pursuant to the plan and the funding  
27 amount necessary for each year the applicant requests funding  
28 pursuant to the program. The applicant may request funding for  
29 no more than 30 years for each project included in the plan.

30 (2) Information necessary to demonstrate that each project  
31 proposed by the plan complies with all of the statutory requirements  
32 of any statutory authorization pursuant to which the project is  
33 proposed.

34 (3) Certification that any low- and moderate-income housing  
35 or other projects or portions of other projects that receive funding  
36 from the program will comply with paragraph (8) of subdivision  
37 (a) of Section 65913.4.

38 (4) A strategy for outreach to, and retention of, women, minority,  
39 disadvantaged youth, formerly incarcerated, and other  
40 underrepresented subgroups in coordination with the California

1 Workforce Investment Board and local boards, to increase their  
2 representation and employment opportunities in the building and  
3 construction trades.

4 (5) For each project identified in the plan, a requirement that  
5 no eviction has been made on any project site within the last 10  
6 years, and protections to avoid displacement of individuals affected  
7 by the project.

8 (6) A requirement that any project included in the plan would  
9 not require the demolition of any of the following types of housing:

10 (A) Housing that is subject to a recorded covenant, ordinance,  
11 or law that restricts rents to levels affordable to persons and  
12 families of moderate, low, or very low income.

13 (B) Housing that is subject to any form of rent or price control  
14 through a public entity's valid exercise of its police power.

15 (C) Housing that has been occupied by tenants within the past  
16 10 years.

17 (7) A requirement that the site was not previously used for  
18 housing that was occupied by tenants that was demolished within  
19 10 years before the applicant submits a plan pursuant to this  
20 section.

21 (8) A requirement that the development of the project or projects  
22 included in the plan would not require the demolition of a historic  
23 structure that was placed on a national, state, or local historic  
24 register.

25 (9) A requirement that the project or projects included in the  
26 plan would not contain present or former tenant-occupied housing  
27 units that are will be or were, subsequently offered for sale to the  
28 general public by the subdivider or subsequent owner of the  
29 property.

30 (10) An economic and fiscal analysis, paid for by the applicant  
31 and prepared by the applicant or an individual or entity approved  
32 by the committee that includes the following information as it  
33 pertains to the plan:

34 (A) The estimated cost of providing services or facilities for  
35 each project included in the plan.

36 (B) The estimated revenue available to provide services or  
37 facilities by each project included in the plan.

38 (C) Identification of the taxing entities that are participating in  
39 the financing of each project included in the plan through the

1 pledge of an amount equal to the entity's incremental share of the  
2 property tax or other means.

3 (D) Identification of the property tax, sales tax, and other public  
4 funding available to invest in each project included in the plan or  
5 the services or facilities needed by each project included in the  
6 plan, as ~~proposed~~. *proposed, including, but not limited to,*  
7 *information from the county auditor describing how the county or*  
8 *counties where the applicant is from has historically distributed*  
9 *its educational revenue augmentation fund revenue to schools and*  
10 *local agencies.*

11 (E) Identification of the funding and financing methods that  
12 will be used by each project included in the plan, including whether  
13 the applicant intends to issue bonds that will be repaid from  
14 property tax increment.

15 (F) The affordable housing and community development  
16 investment amount requested by the applicant to complete each  
17 project included in the plan or the services or facilities needed by  
18 each project included in the plan, as proposed, and the proposed  
19 date on which the annual allocation of the affordable housing and  
20 community development investment amount will terminate.

21 (G) The amount of administrative costs associated with the plan.  
22 The plan may set aside not more than 5 percent of the total  
23 affordable housing and community development investment  
24 amount requested in the plan for administrative costs.

25 (c) (1) The applicant shall certify that a skilled and trained  
26 workforce will be used to complete the project if the ~~application~~  
27 *plan* is approved.

28 (2) If the applicant has certified that a skilled and trained  
29 workforce will be used to complete the project or projects and the  
30 plan is approved, the following shall apply:

31 (A) The applicant shall require every contractor and  
32 subcontractor at every tier performing work on the project to  
33 provide the applicant with an enforceable commitment that the  
34 contractor or subcontractor will individually use a skilled and  
35 trained workforce to complete the project.

36 (B) Every contractor and subcontractor shall individually use  
37 a skilled and trained workforce to complete the project.

38 (C) The applicant shall be considered an awarding body for  
39 purposes of Section 2602 of the Public Contract Code.

1 (3) This subdivision shall not apply to projects that meet the  
2 following criteria \_\_\_\_.

3 (d) (1) Within 30 days of receipt of ~~an application~~ *a plan*  
4 pursuant to this section, the committee shall provide the applicant  
5 with a written statement identifying any questions about the  
6 ~~application~~ *plan*.

7 (2) If the committee denies approval of the plan, the committee  
8 shall, not more than 30 days following the date the committee has  
9 issued a decision, provide the applicant with a written statement  
10 explaining the reasons why the plan was denied.

11 (3) The committee shall develop a rubric to determine which  
12 plan to approve. The rubric shall give priority to plans based on,  
13 but not limited to, the following factors:

14 (A) The number of housing units created.

15 (B) The share of housing units to be constructed that are  
16 available to individuals with an area median income below 120  
17 percent.

18 (C) The share of housing units to be constructed that are  
19 available to individuals with an area median income below 80  
20 percent.

21 (D) The share of housing units to be constructed that are  
22 available to individuals with an area median income below 50  
23 percent.

24 (E) The level of local, state, and federal funds that will be  
25 dedicated toward the projects included in the plan, including but  
26 not limited to tax credits, in-kind transfers, personnel costs and  
27 services, and land.

28 (F) Whether the applicant adopts plans that streamline  
29 development including those adopted through a Workforce Housing  
30 Opportunity Zone (Article 10.10 (commencing with Section 65620)  
31 of Chapter 3 of Division 1 of Title 7), a Housing Sustainability  
32 District (Chapter 11 (commencing with Section 66200) of Division  
33 1 of Title 7), or plans to streamline development funded by the  
34 Building Homes and Jobs Act (Chapter 2.5 (commencing with  
35 Section 50470) of Part 2 of Division 31 of the Health and Safety  
36 Code).

37 55906. (a) The committee shall adopt annual priorities  
38 consistent with the objectives set forth in Section 55903 and shall  
39 adhere to the following funding schedule:

1 (1) For the five-year period commencing July 1, 2020, and  
2 ending June 30, 2025, the committee may approve no more than  
3 two hundred million dollars (\$200,000,000) in funding in any year  
4 for plans approved pursuant to the program.

5 (2) For the four-year period commencing July 1, 2025, and  
6 ending June 30, 2029, the committee may approve no more than  
7 two hundred fifty million dollars (\$250,000,000) in funding in any  
8 year for plans approved pursuant to the program.

9 (3) The Legislature may direct the committee to suspend  
10 consideration of ~~applications~~ *plans* submitted pursuant to Section  
11 55903 in any fiscal year in which the Legislature passes a bill  
12 described in Section 22 of Article XVI of the California  
13 Constitution. Nothing in this paragraph shall affect or have any  
14 financial impact upon previously approved funding pursuant to  
15 this program.

16 (4) The Legislature may direct the committee to suspend  
17 consideration of plans submitted pursuant to Section 55903 in any  
18 fiscal year in which the Legislature passes a bill described in  
19 Section 8 of Article XVI of the California Constitution. Nothing  
20 in this paragraph shall affect or have any financial impact upon  
21 previously approved funding pursuant to this program.

22 (b) The annual amounts dedicated to individual approved  
23 projects shall be allocated based on the schedule of funding  
24 included in the plan that includes the project, unless the committee  
25 decides to allocate a different level of funding or change the  
26 number of years that the project is to receive funding pursuant to  
27 the program in accordance with the plan approved pursuant to  
28 subdivision (d).

29 (c) The committee shall adopt guidelines to explain how  
30 geographic equity will be maintained in the approval of plans  
31 pursuant to this program.

32 (d) (1) The committee shall approve or deny a plan submitted  
33 pursuant to Section 55905 upon both of the following:

34 (A) Receipt of the information required to be submitted pursuant  
35 to paragraphs (1) through (4) of subdivision (b) of Section 55905.

36 (B) A determination that the affordable housing and community  
37 development investment amount requested is consistent with the  
38 guidelines adopted pursuant to subdivision (b).

39 (2) The approval shall state the amount of the affordable housing  
40 and community development investment amount approved and

1 the date upon which the affordable housing and community  
2 development investment amount terminates.

3 (e) The committee may require the applicant to reimburse it for  
4 the reasonable cost incurred to review the plan to participate in  
5 the program.

6 (f) The committee shall review, and may approve or deny, any  
7 changes to a plan submitted by the applicant.

8 55907. (a) Upon approval of a plan pursuant to subdivision  
9 (d) of Section 55906, the committee shall issue an order directing  
10 the county auditor to reduce the amount of ad valorem property  
11 tax revenue pursuant to Section 97.68.1 of the Revenue and  
12 Taxation Code by the annual affordable housing and community  
13 development investment amount approved by the committee.

14 (b) The revenues allocated to an applicant pursuant to Section  
15 97.68.1 of the Revenue and Taxation Code may be used for the  
16 purposes set forth in Section 55903.

17 (c) The applicant may use the additional revenue received  
18 pursuant to Section 97.68.1 of the Revenue and Taxation Code to  
19 incur debt or issue bonds or other financing to support the project  
20 or projects included in the plan.

21 55908. (a) On or before July 1, 2021, and annually thereafter,  
22 each applicant that has received financing pursuant to the program  
23 for any fiscal year shall provide a report to the committee that  
24 includes all of the following information for the previous fiscal  
25 year:

26 (1) The affordable housing and community development  
27 investment amount that the county auditor reallocated to the  
28 applicant pursuant to Section 97.68.1 of the Revenue and Taxation  
29 Code.

30 (2) The purposes for which that reallocated money was used,  
31 including the number of housing units constructed and at which  
32 income level.

33 (3) The actions taken during the prior fiscal year to implement  
34 the project.

35 (4) The total amount of funds expended for planning and general  
36 administrative costs.

37 (b) Notwithstanding Section 10231.5, on or before March 1,  
38 2020, and annually thereafter, the committee shall provide a report  
39 to the Joint Legislative Budget Committee that includes all of the  
40 following information for the preceding fiscal year:

- 1 (1) The name, location, and general description, including the
- 2 number of housing units constructed and at which income level,
- 3 of each project that received an affordable housing and community
- 4 development investment amount pursuant to this program.
- 5 (2) The total amount of money that county auditors reallocated
- 6 from affordable housing and community development investment
- 7 funds pursuant to the program in the previous fiscal year.
- 8 (3) An evaluation of the value of the state’s investment through
- 9 the funding provided by this program as measured by a net revenue
- 10 increase to the General Fund and progress towards achieving the
- 11 purposes and intent of the program.
- 12 (c) The committee shall develop a corrective action plan for
- 13 noncompliance with the requirement of this part.
- 14 55909. (a) If, based on annual reports submitted to the
- 15 committee pursuant to Section 55908, the committee determines
- 16 that any of the following has occurred, the committee shall direct
- 17 the applicant to develop a corrective action plan based on
- 18 recommendations made by the committee:
- 19 (1) The applicant is not on track to produce the number of
- 20 housing units included in the plan.
- 21 (2) The applicant is not on track to spend at least 50 percent of
- 22 plan funds on affordable housing.
- 23 (3) The applicant is on track to exceed 5 percent of the
- 24 administrative limit.
- 25 (4) The applicant is found to have used funding provided by the
- 26 program for purposes not authorized by the act.
- 27 (5) The applicant is found to have used funds to subsidize market
- 28 rate housing.
- 29 (6) The applicant has violated antidisplacement provisions
- 30 pursuant to paragraph (6), (7), (8), or (9) of subdivision (a) of
- 31 Section 55905.
- 32 (7) The applicant is not on track to complete all of the projects
- 33 included in the plan according to the timeline included in the plan.
- 34 (b) The applicant shall have one year from the date that the
- 35 committee directed the applicant to develop a corrective action
- 36 plan.
- 37 (c) The committee shall issue a finding that the applicant is out
- 38 of compliance with the program if the committee finds either of
- 39 the following apply:

1 (1) The applicant has not provided an adequate corrective action  
2 plan to the committee within one year of the date the committee  
3 directed the applicant to develop a corrective action plan.

4 (2) The annual report provided to the committee pursuant to  
5 Section 55908 does not demonstrate that the applicant has taken  
6 adequate steps to implement the corrective action plan that was  
7 provided to the committee within one year of the date the  
8 committee directed the applicant to develop a corrective action  
9 plan.

10 (d) If the committee finds that the applicant is out of compliance  
11 with the program, the committee shall direct the auditor to stop  
12 reducing ERAF contributions approved pursuant to the program  
13 under Section 97.68.1 of the Revenue and Taxation Code, and  
14 prohibit the applicant from applying for additional funds for this  
15 program for a period of five years.

16 (e) If an applicant is found to be out of compliance with the  
17 program, the applicant shall be ineligible to apply for other state  
18 grant programs for a period of five years.

19 SEC. 4. Section 97.68.1 is added to the Revenue and Taxation  
20 Code, to read:

21 97.68.1. Notwithstanding any other provision of law, *for each*  
22 *fiscal year for which funding for a plan for the county is approved*  
23 *under Part 4 (commencing with Section 55900) of Division 2 of*  
24 *Title 5 of the Government Code*, in allocating ad valorem property  
25 tax ~~revenue~~ revenue, all of the following shall apply:

26 (a) ~~(1)~~—The auditor shall reduce the total amount of ad valorem  
27 property tax revenue otherwise required to be allocated to a  
28 county’s Educational Revenue Augmentation Fund by the  
29 countywide affordable housing and community development  
30 investment amount.

31 ~~(2)~~—~~In the case of a plan that includes an enhanced infrastructure~~  
32 ~~financing district, affordable housing authority, transit village~~  
33 ~~development district, or community revitalization investment~~  
34 ~~authority, the auditor shall reduce the total amount of ad valorem~~  
35 ~~property tax revenue otherwise required to be allocated to a~~  
36 ~~county’s Educational Revenue Augmentation Fund from the city~~  
37 ~~or county that created the authority or district in an amount~~  
38 ~~proportional to the local government’s contribution to that district~~  
39 ~~or authority by the countywide affordable housing and community~~  
40 ~~development investment amount.~~

1 (b) (1) ~~The auditor shall allocate the funds as directed by the~~  
2 ~~committee to the applicant in a separate fund that shall, except as~~  
3 ~~provided in paragraph (2), deposit the countywide affordable~~  
4 ~~housing and community development investment amount into the~~  
5 ~~Affordable Housing and Community Development Investment~~  
6 ~~Fund, which shall be established in the treasury of each county.~~  
7 ~~Moneys in the Affordable Housing and Community Development~~  
8 ~~Investment Fund shall only be used for plans approved pursuant~~  
9 ~~to Part 4 (commencing with Section 55900) of Division 2 of Title~~  
10 ~~5 of the Government Code. Code, and shall be allocated to the~~  
11 ~~applicant as directed by the committee.~~

12 (2) *In the case of an applicant that is an enhanced infrastructure*  
13 *financing district, affordable housing authority, community*  
14 *revitalization investment authority, or transit village development*  
15 *district, the auditor shall allocate an amount equal to the enhanced*  
16 *infrastructure financing district's, affordable housing authority's,*  
17 *community revitalization investment authority's, or transit village*  
18 *development district's affordable housing and community*  
19 *development investment amount to the city or county that created*  
20 *the enhanced infrastructure financing district, affordable housing*  
21 *authority, community revitalization investment authority, or transit*  
22 *village development district. The city or county shall, upon receipt,*  
23 *transfer those funds to that enhanced infrastructure financing*  
24 *district, affordable housing authority, community revitalization*  
25 *investment authority, or transit village development district, in an*  
26 *amount equal to the affordable housing and community*  
27 *development investment amount for that enhanced infrastructure*  
28 *financing district, affordable housing authority, community*  
29 *revitalization investment authority, or transit village development*  
30 *district.*

31 (3) *The auditor shall allocate one-half of an amount specified*  
32 *in paragraph (1) or (2) on or before January 31 of each fiscal*  
33 *year, and the other one-half on or before May 31 of each fiscal*  
34 *year.*

35 (c) For purposes of this section, all of the following shall apply:

36 (1) "Affordable housing and community development  
37 investment amount" for a particular city, county, or city and county  
38 means the amount approved by the Affordable Housing and  
39 Community Development Committee pursuant to Part 4

1 (commencing with Section 55900) of Division 2 of Title 5 of the  
2 Government Code.

3 (2) “Countywide affordable housing and community  
4 development investment amount” means, for any fiscal year, the  
5 total sum of the amounts described in paragraph (1) for a county  
6 or a city and county, and each city and county.

7 (d) This section shall not be construed to do any of the  
8 following:

9 (1) Reduce any allocations of excess, additional, or remaining  
10 funds that would otherwise have been allocated to county  
11 superintendents of schools, cities, counties, and cities and counties  
12 pursuant to clause (i) of subparagraph (B) of paragraph (4) of  
13 subdivision (d) of Sections 97.2 and 97.3 or Article 4 (commencing  
14 with Section 98) had this section not been enacted. The allocations  
15 required by this section shall be adjusted to comply with this  
16 paragraph.

17 (2) Require an increased ad valorem property tax revenue  
18 allocation or increased tax increment allocation to a community  
19 redevelopment agency.

20 (3) Alter the manner in which ad valorem property tax revenue  
21 growth from fiscal year to fiscal year is otherwise determined or  
22 allocated in a county.

23 (4) Reduce ad valorem property tax revenue allocations required  
24 under Article 4 (commencing with Section 98).

25 (e) If, for the fiscal year, after complying with Section 97.68,  
26 there is not enough ad valorem property tax revenue that is  
27 otherwise required to be allocated to a county Educational Revenue  
28 Augmentation Fund for the auditor to complete the allocation  
29 reduction required by subdivision (a), the auditor shall additionally  
30 reduce the total amount of ad valorem property tax revenue that  
31 is otherwise required to be allocated to all school districts and  
32 community college districts in the county for that fiscal year by  
33 an amount equal to the difference between the countywide  
34 affordable housing and community development investment  
35 amount and the amount of ad valorem property tax revenue that  
36 is otherwise required to be allocated to the county Educational  
37 Revenue Augmentation Fund for that fiscal year. This reduction  
38 for each school district and community college district in the county  
39 shall be the percentage share of the total reduction that is equal to  
40 the proportion that the total amount of ad valorem property tax

1 revenue that is otherwise required to be allocated to the school  
 2 district or community college district bears to the total amount of  
 3 ad valorem property tax revenue that is otherwise required to be  
 4 allocated to all school districts and community college districts in  
 5 a county. For purposes of this subdivision, “school districts” and  
 6 “community college districts” do not include any districts that are  
 7 excess tax school entities, as defined in Section 95.

8 (f) Any reduction in the amount of ad valorem property tax  
 9 revenues deposited in the county’s Educational Revenue  
 10 Augmentation Fund as a result of subparagraph (A) shall be applied  
 11 exclusively to reduce the amounts that are allocated from that fund  
 12 to school districts and county offices of education, and shall not  
 13 be applied to reduce the amounts of ad valorem property tax  
 14 revenues that are otherwise required to be allocated from that fund  
 15 to community college districts.

16 (g) (1) *A property tax revenue allocation reduction or property*  
 17 *tax revenue transfer made pursuant to subdivision (a) or (b) shall*  
 18 *not be considered for purposes of determining under Section 96.1*  
 19 *the amount of property tax revenue allocated to a jurisdiction in*  
 20 *the prior fiscal year.*

21 (2) *The auditor may include the cost of workload related to*  
 22 *calculating reductions pursuant to subdivision (a) for the purposes*  
 23 *of Section 95.3.*

24 SEC. 5. If the Commission on State Mandates determines that  
 25 this act contains costs mandated by the state, reimbursement to  
 26 local agencies and school districts for those costs shall be made  
 27 pursuant to Part 7 (commencing with Section 17500) of Division  
 28 4 of Title 2 of the Government Code.

29 SEC. 6. Each provision of this act is a material and integral  
 30 part of the act, and the provisions of this act are not severable. If  
 31 any provision of this act or its application is held invalid, the entire  
 32 act shall be null and void.