



Staff Report

File #: REPORT 18-0412, Version: 1

Honorable Mayor and Members of the Hermosa Beach City Council Regular Meeting of July 10, 2018

SUPPORT FOR SENATE BILL NO. 961 (ALLEN) TO CREATE NEIGHBORHOOD INFILL FINANCE AND TRANSIT IMPROVEMENTS (NIFTI-2) DISTRICTS (Assistant to the City Manager Nico De Anda-Scaia)

Recommended Action:

Staff recommends that the City Council approve and authorize the Mayor to sign a letter of support on behalf of the City regarding Senate Bill No. 961 (Allen), to be shared with appropriate legislators and local stakeholders.

Background:

Introduced by California Senator Ben Allen and sponsored by MoveLA, the proposed Senate Bill 961 would enact the Second Neighborhood Infill Finance and Transit Improvement Act, or NIFTI-2. This bill allows for the formation of a NIFTI-2, which can issue bonds to finance affordable housing developments within one-half mile of a major transit stop without needing voter approval. It also requires that at least 40% of the total funds received from the sales tax and property tax increment be spent on low-income housing and remaining available revenues could be spent on housing, but cities would have the option to allocate the balance of the funds towards other transit-related improvement projects or broader community improvements such as pedestrian improvements, bike infrastructure, parks near transit stops, and/or parking garages for new developments.

Until 2011, the Community Redevelopment Act of 1945 allowed local officials to set up redevelopment agencies (RDAs), prepare and adopt redevelopment plans, and finance redevelopment activities. Citing a significant budget deficit in the State's General Fund, Governor Brown's 2011-2012 Budget proposed to eliminate RDAs and return billions of dollars of property tax revenues to schools, cities, and counties to fund core services. With the dissolution of RDAs, many local governments struggled to find reliable funding sources to invest in public infrastructure, finance new construction, eliminate physical and economic blight, rehabilitate existing buildings, and ultimately to increase the supply of affordable housing.

In 2014, Senate Bill 628 was enacted to allow cities, counties, and special districts to form Enhanced Infrastructure Finance Districts (EIFDs) in order to finance infrastructure projects and facilities, including affordable housing, mixed-use development, and transit priority projects. An EIFD can fund

these facilities and development with the property tax increment of those taxing agencies (cities, counties, special districts, but not schools) that consent. The district can also issue bonds with 55% of voter approval.

In 2017, Assembly Bill 1568 was approved, which authorized the creation of Neighborhood Infill and Transit Improvements (NIFTI) that allow EIFDs to receive sales and use taxes in addition to property taxes to fund an area that is an infill site, and the bill requires that 20% of the funds be used for housing purposes.

Analysis:

Senate Bill 961 would add to the list of tax increment financing options available to local governments under California's enhanced infrastructure financing district law since the dissolution of RDAs in 2011. The bill would create an enhanced infrastructure finance district program with a focus on transit-oriented community development that includes significant middle and low-income housing. To encourage participation from cities and counties, it removes the requirement for voter approval of bond.

Hermosa Beach does not currently have a major transit stop and thus will not directly benefit or be able to avail itself of this program. However, by providing an incentive based program for affordable housing projects, better rail stations and bus stops and programs supporting transit ridership, crosswalks and bike lanes as well as other community improvements, throughout the region and State, Senate Bill 961 is a critical step in addressing California's affordable housing shortage. The incentive based program would also be preferable to other recent State legislative measures related to housing supply and affordability, which tend to mandate all cities to address this shortage whether they have available transit or available land to support housing projects.

Fiscal Implications:

There is no fiscal impact associated with this action.

Attachments:

1. Summary of California Senate Bill 961
2. Draft Letter of Support - SB 961

Respectfully Submitted by: Katrina Nguyen, Management Analyst

Concur: Nico De Anda-Scaia, Assistant to the City Manager

Approved: John Jalili, Interim City Manager