



Economic Development Working Group GATEWAY CITIES COUNCIL OF GOVERNMENTS

Monday, February 24, 2020, 11:30 – 1:00 PM

*****Please Note Meeting Date Change*****

Gateway Cities COG Offices
16401 Paramount Boulevard, Paramount
1st Floor Conference Room

AGENDA

CALL TO ORDER

Gerald Caton, Chair
Economic Development
Working Group

ACTION ITEMS

“The Goal of the Economic Development Working Group is to Lower the High Unemployment within the Gateway Cities Region by Encouraging Job Creation Activities”

1. Senator Archuleta has Sponsored Legislation (SB1179) to Implement the COG’s “Proposal to Incentivize the Gateway Cities to Rezone Non-Residential Properties into New Housing Developments.” We now need to Develop a Strategy for Passage of this Legislation Please Bring your Ideas to our Meeting
2. Update on the Efforts of the League of California Cities, LA County Division, to Develop Alternatives to SB 50
3. Discussion of Issues Important to Gateway Chambers Alliance, SELACO WDB and Long Beach City College Regarding Job Development, Business Retention and Workforce Education
4. Discussion of Metro’s Site Selection Process for its Transportation Center of Innovation
5. Update on State Cap & Trade Program
6. Update on Los Angeles County’s Economic Development Program



7. Member Comments

8. Adjournment

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares the following:

(a) Since the passage of Proposition 13, the People's Initiative to Limit Property Taxation, in 1978 and its resulting limitation on municipal property tax revenue, cities have largely become dependent on sales tax revenue to provide vital community services.

(b) The overdependence on sales tax revenue has resulted in the excessive development of commercial properties over new housing projects in California's cities.

(c) As businesses are increasingly selling their products online instead of in retail stores, an opportunity now exists for cities to revitalize their underperforming nonresidential zones by allowing the use of properties in those zones for new housing developments.

(d) To assist in this housing revitalization effort and to pay for core city services to residents in newly constructed housing, it is the intent of the Legislature to establish a funding methodology to financially incentivize communities that are willing to modify their general plans, zoning maps, and zoning ordinances to facilitate new housing construction on underperforming office, industrial, and commercial sites.

SEC. 2. Section 97.83 is added to the Revenue and Taxation Code, to read:

97.83. (a) A pilot program is hereby established for the southeast region of the County of Los Angeles to determine the benefit, practicality, and financial impacts of a program to provide financial incentives, in the form of increased ad valorem property tax revenue, for the development of transit-oriented, mixed-use, and standalone residential infill development on sites that are rezoned to allow residential use.

(b) For the 2021–22 fiscal year, and each fiscal year thereafter, the auditor-controller of the County of Los Angeles shall do the following:

(1) Increase the total amount of ad valorem property tax revenue that is otherwise required to be allocated to each qualified city by the residential infill development amount applicable for that qualified city.

(2) (A) Decrease the total amount of ad valorem property tax revenue that is otherwise required to be allocated to the county Educational Revenue Augmentation Fund by the aggregate of the residential infill development amount allocated to all qualified cities pursuant to paragraph (1).

(B) If, for any fiscal year, there is not enough ad valorem property tax revenue that is otherwise required to be allocated to a county Educational Revenue Augmentation Fund for the auditor to complete the allocation reduction required by subparagraph (A), the auditor shall additionally reduce the total amount of ad valorem property tax revenue that is otherwise required to be allocated to all school districts in the county for that fiscal year by an amount equal to the difference between the county equity amount and the amount of ad valorem property tax revenue that is otherwise required to be allocated to the county Educational Revenue Augmentation Fund for that fiscal year. This reduction for each school district in the county shall be the percentage share of the total reduction that is equal to the proportion that the total amount of ad valorem property tax revenue that is otherwise required to be allocated to the school district bears to the total amount of ad valorem property tax revenue that is otherwise required to be allocated to all school districts in a county. For purposes of this subparagraph,



“school districts” do not include any districts that are excess tax school entities, as defined in Section 95.

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

(c) For the 2021–22 fiscal year and for each fiscal year thereafter, ad valorem property tax revenue allocations made pursuant to Sections 96.1 and 96.5 shall not incorporate the allocation adjustments made by this section.

(d) For purposes of this section:

(1) “Qualified city” means a city that meets both of the following requirements:

(A) The city is a member of the Gateway Cities Council of Governments.

(B) The city has a housing element for the applicable planning period that the Department of Housing and Community Development has determined, pursuant to Section 65585 of the Government Code, is in substantial compliance with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.

(2) “Qualified residential infill development project” means a housing development project, as that term is defined in Section 65589.5 of the Government Code, that is located on a site for which both of the following apply:

(A) The site that has been previously developed or on a vacant site where at least 75 percent of the perimeter of the site adjoins parcels that are developed with qualified urban uses.

(B) The site was previously zoned or designated in any element of a qualified city’s general plan for uses other than residential use and, on or after January 1, ____, the qualified city rezoned or redesignated the site for residential use.

(3) “Planning period” means the time period between the due date for one housing element and the due date for the next housing element according to the applicable schedule pursuant to Section 65588 of the Government Code.

(4) (A) Subject to subparagraph (B), “residential infill development amount” means an amount equal to the total amount of ad valorem property revenue attributable to the application of the property tax rate limited by subdivision (a) of Section 1 of Article XIII A of the California Constitution to each qualified residential infill development project within a qualified city.

(B) For purposes of determining the residential infill development amount for purposes of this section, the number of qualified residential infill development sites within a qualified city for each planning period beginning on or after January 1, 2021, shall not increase by more than 2 percent relative to the number of those projects in the previous planning period.

SEC. 3. The Legislature finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique circumstances in the County of Los Angeles that make the southwest region of that county an ideal area to determine the benefit, practicality, and financial impacts of the program established pursuant to Section 2 of this act.



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

- 0 -



200544574950B.LLMA57

Legislation to Incentivize Cities to Rezone Non-Residential Properties into New Housing Developments

What is the necessary background information/context needed to understand the bill and reasons for this bill?

The State of California is facing a housing supply and affordability crisis. Since the passage of Proposition 13 in 1978, and its resulting limitation on municipal property tax revenue, cities have become dependent on sales tax revenue to provide vital community services. This overdependence on sales tax revenue has resulted in the excessive development of commercial properties over new housing projects.

What is the problem this bill is trying to fix?

The Governor has stated a goal of developing 3.5 million new housing units by 2025. To assist in this State-wide housing revitalization effort, and to pay for core city services to the housing's new residents, a funding methodology has been developed to financially incentivize communities willing to modify their General Plans, Zoning Maps and Development Codes to facilitate new housing construction on underperforming office, industrial and commercial sites. As commercial businesses are increasingly selling their products online instead of in retail stores, an opportunity now exists for cities to revitalize their underperforming non-residential zoned properties into new housing developments.

What does existing law say about this issue?

In 1979, Assembly Bill 8 (AB 8) was adopted to provide procedures for counties to allocate property taxes. AB 8 allocates to each taxing jurisdiction the amount it received in the prior year, plus the change that has occurred in the current year within its boundaries. The revenue allocation of the countywide 1% property tax levy is calculated pursuant to Revenue and Taxation Code section 96.5. Under the AB 8 method, the 1979/80 base amount for each local agency within a county was calculated based on the property tax allocated pursuant to Government Code section 26912 for 1978/79 and adjusted for the 1979/80 assessed value growth. The property tax allocation percentage for each agency within a Tax Rate Area (TRA) was then established.

What will this bill do?

As a trial program, this legislation would authorize the Gateway Cities Council of Governments' communities that develop transit-oriented, mixed-use and stand-alone residential infill housing developments, located on rezoned nonresidential properties, to receive the property tax revenue generated from those projects. The Gateway Cities has been selected to be the program's test site because the majority of the region's communities are densely populated and receive low property tax income of generally less than ten cents on the dollar.

Cities would only qualify to receive the property tax revenue incentive for the construction of housing that occurs as a result of non-residential properties being rezoned to accommodate new housing developments. To assure that this program only has a minimal financial impact on other taxing entities, a 2% maximum cap will be placed on a city's total number of eligible parcels during any 8-year Housing Element Planning Period. Participating cities will be required to possess a State Certified Housing Element.