Proposal to have the State financially incentivize communities that choose to rezone underperforming office, industrial and commercial sites into new housing developments

- The nature of retail sales has changed significantly in the past decade as more and more businesses are selling their goods and services online instead of utilizing "brick and mortar" stores. As a result, property owners and communities have been faced with the challenge of finding suitable tenants to replace former commercial uses.
- At the same time, the State, facing a crisis in the development of housing, has become more assertive with local governments on mandating the development of additional dwelling units.
- The proposed RHNA calls for 79,411 new units be developed in the Gateway Cities during the next 8-year cycle.
- An opportunity exists for cities to revitalize their miles of strip commercial properties and financially challenged retail sites by constructing new housing as part of mixed-use and/or transit-oriented developments.
- However, a funding methodology needs to be developed to assist communities, particularly those with low property tax capture, to pay for core city services provided to their new residents; estimated at $2,000/year/resident.
- To accomplish this change, State legislation needs to be developed and approved which will authorize host communities of transit-oriented, mixed-use and stand-alone residential infill housing developments to receive the property tax revenue generated from those developments.
- The Gateway Cities has offered to be the program's test site because the majority of our communities are already densely populated and receive low property tax income.
- The proposal has three qualifications for cities to receive the incentive of property tax revenue:
  - First, cities would only qualify to receive the property tax revenue incentive for the construction of housing that occurs as a result of existing non-residential property being rezoned to accommodate new housing developments.
  - Second, to assure that this program only has a minimal financial impact on other taxing entities, there would be a 2% cap placed on the total number of newly formed parcels that would be authorized to participate in this program during any given housing element Planning Period pursuant to California Government Code Section 675588(f)(1). In accordance with the referenced Code Section, "Planning Period" is defined as the time period between the due date for one housing element and the due date for the next housing element over an eight-year cycle. So, for example, if a community has a total of 20,000 parcels, the maximum number of newly formed parcels that could have the property tax revenue diverted to the participating city for incentivizing new housing construction during the current 2013-2021 Planning Period would be 400 parcels.
  - Third, participating cities will be required to possess a State Certified Housing Element.