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.

LEGISLATIVE COUNSEL’S DIGEST

SB 5, as amended, Beall. Local-State Sustainable Investment Incentive 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 Local-State Sustainable Investment Incentive Affordable Housing and Community Development Investment Program.
Development Investment Program, which would be administered by the Sustainable Investment Incentive 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 or authority, transit village development district, or a combination of those entities, to apply to the Sustainable Investment Incentive Affordable Housing and Community Development Investment Committee to participate in the program and would authorize the committee to approve or deny applications plans for projects meeting specific criteria.

The bill would require the Sustainable Investment Incentive Affordable Housing and Community Development Investment Committee to adopt guidelines for applications 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 projects 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 Sustainable Investment Incentive Affordable Housing and Community Development Investment Committee, upon approval of a project application, 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, 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 an amount of property tax revenue equal to the reduction amount approved by the Sustainable Investment Incentive Affordable Housing and Community Development Investment Committee. 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 Sustainable Investment Incentive Committee 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.


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

SECTION 1. The Legislature finds and declares all of the following:

(a) In recent years the Legislature has created several new opportunities to use tax increment financing, which include the formation of enhanced infrastructure financing districts, affordable housing authorities, and community revitalization investment authorities. While these new tools can be useful to local agencies, they are widely viewed as lacking sufficient financial capacity compared to what existed under the former tax increment financing tool utilized by community redevelopment agencies.

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

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

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

(b) The state—has shares many policy priorities with local governments, including affordable housing and economic development, that can be advanced by a restoration of a more robust form of tax increment creating a new infrastructure financing than currently exists, which include: tool that would focus on the following:

1. Increasing the production of affordable housing available to very low, low-, and moderate-income families.
2. Expanding transit-oriented development at higher densities.
3. Reducing jobs-housing imbalances in areas with high job growth.
4. Increasing the availability of high-quality jobs through the rehabilitation, construction, and maintenance of housing and infrastructure.
5. Improving the quality of life in neighborhoods and disadvantaged communities.
6. Incentivizing growth in urban areas, thereby preserving and enhancing the state’s most valuable natural resources reducing sprawl and ensuring that open space is preserved throughout the state.
7. Reducing poverty and caseloads of state and county safety net support programs by incentivizing the training and hiring of affected individuals to jobs where they can be self-supporting.
8. Protecting communities dealing with the effects of sea level rise, which is one of the most significant threats of climate change.
(c) The Legislature has declared that the policy priorities listed in subdivision (b) are matters of statewide concern. It is therefore appropriate that the state and local governments contribute financially to the realization of these priorities.

(d) By dedicating a portion of the school share of property taxes to support and incentivize partnerships using property tax increment, allowing local agencies to reduce their contributions to their county’s Educational Revenue Augmentation Fund (ERAF) to fund affordable housing projects and related infrastructure, the state can advance its policy priorities while also protecting funding for schools and limiting effects on the state budget. The state’s interests can be ensured and protected in the following manner:

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

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

(3) Establishing an annual cap on the total local-state sustainable affordable housing and community development investment amount that may be approved to be allocated by the State Sustainable Investment Incentive Affordable Housing and Community Development Investment Committee, as follows:

(A) Not to exceed an annual cap of $1 billion beginning July 1, 2025. two hundred million dollars ($200,000,000) annually between July 1, 2020, and June 30, 2025.

(B) Not to exceed an annual cap of $2 billion beginning July 1, 2029. two hundred fifty million dollars ($250,000,000) annually between July 1, 2025, and June 30, 2029.

(4) Requiring annual reports to the Legislature on the status of all projects funded through this program.
(e) It is the intent of the Legislature that schools and community colleges receive no less total funding from General Fund and local property tax revenue as a result of the bill.

(f) It is the intent of the Legislature to have the state provide increased funding in an amount that equals reductions in local ERAF funds to the point necessary for schools to meet their minimum funding guarantee pursuant to existing law.

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

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

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

(b) The Director of Finance shall adjust “the percentage of General Fund revenues appropriated for school districts and community college districts” for the purpose of applying paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution in a manner that ensures that reductions in contributions to a county’s Educational Revenue Augmentation Fund authorized by Section 97.68.1 of the Revenue and Taxation Code shall have no net fiscal impact upon the total amount of 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. The Director of Finance shall make this adjustment effective with the 2020–21 fiscal year, consistent with the start of the grant program pursuant paragraph (1) of subdivision (a) of Section 55906 of the Government Code. The Director of Finance shall update the adjustment for subsequent increases or decreases in the amount of reductions authorized by Affordable Housing and Community Development Investment Program.
SEC. 2.
SEC. 3. Part 4 (commencing with Section 55900) is added to Division 2 of Title 5 of the Government Code, to read:

PART 4. LOCAL-STATE SUSTAINABLE INVESTMENT INCENTIVE-AFFORDABLE HOUSING AND COMMUNITY DEVELOPMENT INVESTMENT PROGRAM

55900. This part is known and may be cited as the Local-State Sustainable Investment Incentive Affordable Housing and Community Development Investment Program.

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

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

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

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

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

(d) “Local-State sustainable investment amount” is the amount of property tax revenue allocated pursuant to section 97.68.1 of the Revenue and Taxation Code.

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

(f) “Program” means the Local-State Sustainable Investment Incentive Affordable Housing and Community Development Investment Program established by this part.

(f) “Project” shall include:
(1) A project undertaken by a city, county, city or county, joint powers authority, enhanced infrastructure financing district, affordable housing authority, community revitalization and investment authority, or a transit village development district.

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

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

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

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

(1) Construction of workforce and affordable housing. Priorities shall be provided for communities that adopt plans that streamline development including those adopted through a Workforce Housing Opportunity Zone (Article 10.10 (commencing with Section 65620) of Chapter 3 of Division 1 of Title 7), a Housing Sustainability District (Chapter 11 (commencing with Section 66200) of Division 1 of Title 7), or plans to streamline development funded by the Building Homes and Jobs Act (Chapter 2.5 (commencing with Section 50470) of Part 2 of Division 31 of the Health and Safety Code). For purposes of this section, the term “affordable housing” means housing affordable to households earning under 120 percent of area median income.

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

(3) Infill development and equity by rehabilitating, maintaining, and improving existing infrastructure that supports infill development and appropriate reuse and redevelopment of previously developed, underutilized land that is presently served by transit, street, water, sewer, and other essential services, particularly in underserved areas, and to preserving cultural and historic resources.
(4) Promoting strong neighborhoods through supporting local community planning and engagement efforts to revitalize and restore neighborhoods, including repairing infrastructure and parks, rehabilitating and building housing, promoting public-private partnerships, supporting small businesses and job growth for affected residents.

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

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

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

(c) For (1) Except as provided in paragraph (2), any project plan approved pursuant to the program, at least 50 percent of the funding of project or projects to include a minimum of 30 percent of the total number of housing units constructed shall be available at an affordable rent or affordable housing units to, and occupied by, households earning below 120 percent of the area median income for at least 55 years.

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

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

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

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

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

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

(1) The Chair of the Strategic Growth Council, or his or her the chair’s designee.

(2) The Chair of the California Infrastructure and Economic Development Bank, or his or her the chair’s designee.

(3) The Chair of California Workforce Investment Board, or his or her the chair’s designee.

(4) The Director of Housing and Community Development, or his or her the director’s designee.

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

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

(7) One public member appointed by the Governor that has a background in land use planning, local government, or community development or revitalization, Joint Legislative Budget Committee who has expertise in education finance.

(b) The committee shall review and approve or deny applications received pursuant to Section 55905.

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

55905. (a) An application for the local-state sustainable affordable housing and community development investment amount may be submitted by any of the following:

(1) A city, county, or city and county.
(2) A joint powers authority formed pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 that is composed of entities that may submit an application pursuant to this subdivision.

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

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

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

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

(b) An application to participate in the program may be submitted to the committee and shall include all of the following information:

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

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

(3) Certification that any low- and moderate-income housing or other projects or portions of other projects that receive funding from the program will comply with paragraph (8) of subdivision (a) of Section 65193.4.

(4) A strategy for outreach to, and retention of, women, minority, disadvantaged youth, formerly incarcerated, and other underrepresented subgroups in coordination with the California Workforce Investment Board and local boards, to increase their

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representation and employment opportunities in the building and construction trades.

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

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

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

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

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

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

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

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

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

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

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

(C) Identification of the taxing entities that are participating in the financing of the each project included in the plan through the
pledge of an amount equal to the entity’s incremental share of the
property tax or other means.
(D) Identification of the property tax, sales tax, and other public
funding available to invest in the each project included in the plan
or the services or facilities needed by the project, each project
included in the plan, as proposed.
(E) Identification of the funding and financing methods that
will be used by the each project included in the plan, including
whether the applicant intends to issue bonds that will be repaid
from property tax increment.
(F) The local-state sustainable affordable housing and
community development investment amount requested by the
applicant to complete the each project included in the plan or the
services or facilities needed by the project, each project included
in the plan, as proposed, and the proposed date on which the annual
allocation of the local-state sustainable affordable housing and
community development investment amount will terminate.
(G) The amount of administrative costs associated with the plan.
The plan may set aside not more than 5 percent of the total
affordable housing and community development investment amount
requested in the plan for administrative costs.
(c) (1) The applicant shall certify that a skilled and trained
workforce will be used to complete the project if the application
is approved.
(2) If the applicant has certified that a skilled and trained
workforce will be used to complete the project or projects and the
plan is approved, the following shall apply:
(A) The applicant shall require every contractor and
subcontractor at every tier performing work on the project to
provide the applicant with an enforceable commitment that the
contractor or subcontractor will individually use a skilled and
trained workforce to complete the project.
(B) Every contractor and subcontractor shall individually use
a skilled and trained workforce to complete the project.
(C) The applicant shall be considered an awarding body for
purposes of Section 2602 of the Public Contract Code.
(3) This subdivision shall not apply to projects that meet the
following criteria ____.
(é)
(d) (1) Within 30 days of receipt of an application pursuant to this section, the committee shall provide the applicant with a written statement identifying any questions about the application.

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

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

(A) The number of housing units created.

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

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

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

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

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

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

(1) For the five-year period commencing July 1, 2020, and ending June 30, 2025, the committee may approve no more than
two hundred million dollars ($200,000,000) in funding annually for projects in any year for plans approved pursuant to the program, to reach an annual amount not to exceed one billion dollars ($1,000,000,000) beginning July 1, 2025.

(2) For the four-year period commencing July 1, 2025, and ending June 30, 2029, the committee may authorize approve no more than two hundred fifty million dollars ($250,000,000) in funding annually for projects in any year for plans approved pursuant to this program to reach an annual amount not to exceed two billion dollars ($2,000,000,000) beginning July 1, 2029.

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

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

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

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

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

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

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

(2) The approval shall state the amount of the local state sustainable affordable housing and community development investment amount approved and the date upon which the local state sustainable affordable housing and community development investment amount terminates.

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

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

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

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

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

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

(1) The local state sustainable affordable housing and community development investment amount that the county auditor reallocated to the applicant pursuant to Section 97.68.1 of the Revenue and Taxation Code.

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

(3) The actions taken during the prior fiscal year to implement the project.
(4) The total amount of funds expended for planning and general administrative costs.

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

(1) The name, location, and general description, including the number of housing units constructed and at which income level, of each project that received a local-state sustainable affordable housing and community development investment amount pursuant to this program.

(2) The total amount of money that county auditors reallocated from local-state sustainable affordable housing and community development investment funds pursuant to the program in the previous fiscal year.

(3) An evaluation of the value of the state’s investment through the funding provided by this program as measured by a net revenue increase to the General Fund and progress towards achieving the purposes and intent of the program.

(c) The committee shall develop a corrective action plan for noncompliance with the requirement of this part.

55909. (a) If, based on annual reports submitted to the committee pursuant to Section 55908, the committee determines that any of the following has occurred, the committee shall direct the applicant to develop a corrective action plan based on recommendations made by the committee:

(1) The applicant is not on track to produce the number of housing units included in the plan.

(2) The applicant is not on track to spend at least 50 percent of plan funds on affordable housing.

(3) The applicant is on track to exceed 5 percent of the administrative limit.

(4) The applicant is found to have used funding provided by the program for purposes not authorized by the act.

(5) The applicant is found to have used funds to subsidize market rate housing.

(6) The applicant has violated antidisplacement provisions pursuant to paragraph (6), (7), (8), or (9) of subdivision (a) of Section 55905.
(7) The applicant is not on track to complete all of the projects included in the plan according to the timeline included in the plan.

(b) The applicant shall have one year from the date that the committee directed the applicant to develop a corrective action plan.

c) The committee shall issue a finding that the applicant is out of compliance with the program if the committee finds either of the following apply:

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

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

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

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

SEC. 3.

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

97.68.1. Notwithstanding any other provision of law, in allocating ad valorem property tax revenue all of the following shall apply:

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

(2) In the case of an application that includes an enhanced infrastructure financing district, affordable housing authority, transit village development district, or community revitalization investment authority, the auditor shall reduce the total amount of
ad valorem property tax revenue otherwise required to be allocated
to a county’s Educational Revenue Augmentation Fund from the
city or county that created the authority or district in an amount
proportional to the local government’s contribution to that district
or authority by the countywide local-state sustainable affordable
housing and community development investment amount.

(b) The auditor shall allocate the funds as directed by the
committee to the applicant in a separate fund that shall only be
used for plans approved pursuant to Part 4 (commencing with
Section 55900) of Division 2 of Title 5 of the Government Code.

(c) For purposes of this section, all of the following shall apply:
(1) “Local state sustainable Affordable housing and community
development investment amount” for a particular city, county, or
city and county means the amount approved by the Local State
Sustainable Investment Incentive Affordable Housing and
Community Development Committee pursuant to Part 4
(commencing with Section 55900) of Division 2 of Title 5 of the
Government Code.

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

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

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

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

(4) Reduce ad valorem property tax revenue allocations required
under Article 4 (commencing with Section 98).
(e) If, for the fiscal year, after complying with Section 97.68, 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 subdivision (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 and community college districts in the county for that fiscal year by an amount equal to the difference between the countywide local state—sustainable affordable housing and community development investment 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 and community college 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 or community college district district bears to the total amount of ad valorem property tax revenue that is otherwise required to be allocated to all school districts and community college districts in a county. For purposes of this subdivision, “school districts” and “community college districts” do not include any districts that are excess tax school entities, as defined in Section 95.

(f) 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.

SEC. 4.

SEC. 5. 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.

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