An act to add Section 97.83 to the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL’S DIGEST

SB 1179, as introduced, Archuleta. Property tax revenue allocations: County of Los Angeles: residential infill development.

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, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction’s portion of the annual tax increment, as defined. Existing property tax law also reduces the amounts of ad valorem property tax revenue that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation requirements by requiring, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, that the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. Existing property tax law requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education.

This bill would establish a pilot program, pursuant to which, for the 2021–22 fiscal year and each fiscal year thereafter, the auditor-controller
of the County of Los Angeles would increase the total amount of ad
valorem property tax revenue that is otherwise required to be allocated
to specified cities within the county by the residential infill development
amount, as defined, and to commensurately decrease the amount of ad
valorem property tax revenue that is otherwise required to be allocated
to the county Educational Revenue Augmentation Fund and, if
necessary, the amount of those revenue otherwise required to be
allocated to school districts. The bill would require that the residential
infill development amount be equal to the total amount of ad valorem
property revenue attributable to the application of the property tax rate
limited by the California Constitution to each qualified residential infill
development project, as defined, within the city, subject to certain
limitations.

By imposing new duties on the auditor-controller of the County of
Los Angeles with respect to the allocation of ad valorem property tax
revenues, this bill would impose a state-mandated local program.

This bill would make legislative findings and declarations as to the
necessity of a special statute for the County of Los Angeles.

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.

State-mandated local program: yes.

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.