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REPORT TO HONORABLE MAYOR AND CITY COUNCIL

RECENT STATE LEGISLATION REGARDING INFRASTRUCTURE FINANCING
MECHANISMS AND ECONOMIC DEVELOPMENT INCENTIVES

INTRODUCTION

The elimination of all redevelopment agencies (RDAs) in the State of California (State), as of February 1, 2012, removed significant tools that local governments had used to revitalize blighted areas, finance capital improvements, and provide affordable housing. Since 2012, the State Legislature (Legislature) has approved, and Governor Edmund G. Brown Jr. (Governor) has either signed or vetoed, various bills to clarify and streamline the redevelopment wind-down process and facilitate new financing mechanisms for local economic development.

At the end of 2015, the Legislature continued this trend by enacting several bills, including: (i) S.B. 107, which modified numerous aspects of the redevelopment wind-down process; (ii) A.B. 2, which provided for the formation of community revitalization and investment authorities (CRIAs); (iii) A.B. 313, which made substantive and clean-up changes to existing legislation regarding enhanced infrastructure financing districts (EIFDs); and (iv) S.B. 533, which imposed restrictions on a local agency's provision of economic development incentives that involve the payment or rebate of sales and use taxes.¹ This Report summarizes the three economic development bills, including A.B. 2, A.B. 313, and S.B. 533. This Report also compares the main features of CRIAs and EIFDs, both of which are designed as a partial restoration of redevelopment tools. *See* Attachments 1 and 2.

DISCUSSION

**I. A.B. 2 – COMMUNITY REVITALIZATION AND INVESTMENT
AUTHORITIES**

A.B. 2, which became effective January 1, 2016, enables a local agency, or multiple local agencies together, to create a CRIA to serve as a planning and financing tool to support revitalization of disadvantaged communities. A.B. 2 is similar to A.B. 2280, which the Governor

¹ In this Report, "S.B." refers to a California Senate Bill, and "A.B." refers to a California Assembly Bill. This Report is not intended as an exhaustive summary of any legislative bills. Further information can be found in the actual text of the bills, available in searchable format at <http://leginfo.ca.gov/bilinfo.html>.

vetoed in late 2014.² The stated intent of A.B. 2 is “to invest property tax increment revenue to relieve conditions of unemployment, reduce high crime rates, repair deteriorated or inadequate infrastructure, promote affordable housing, and improve conditions leading to increased employment opportunities.” Assem. Bill 2 (2015-2016 Reg. Sess.). A.B. 2 includes numerous safeguards to address perceived flaws in the old redevelopment model.

A. Statutory Provisions Governing CRIAs

A.B. 2 authorizes the formation of a CRIA, which is a separate and distinct legal entity from its sponsoring agency. Cal. Gov’t Code § 62001(a). A CRIA’s activities may be financed in one or more ways, including: (a) collection of property tax increment from taxing entities, other than school districts, who voluntarily decide to participate; (b) issuance of tax increment bonds; (c) governmental or private loans; (d) grants; and (e) new markets tax credits. *Id.* §§ 62002(g), 62003(f). By prohibiting school districts from participating in a CRIA, A.B. 2 safeguards against any adverse fiscal impact on the State’s General Fund.

Significant attributes of a CRIA include the following:

- **Formation:** A CRIA may be established in one of two ways. The legislative body of a sponsoring city or county may adopt a resolution creating a CRIA, in which case the CRIA’s governing body will consist of three members of the legislative body and two public members. *Id.* § 62001(b)(1)(A), (c)(1). Alternatively, a combination of local taxing entities, other than school districts, may create a CRIA by entering into a joint powers agreement, in which case a majority of the CRIA’s governing body will consist of members of the legislative bodies of the public agencies that created the CRIA, and the governing body also will consist of a minimum of two public members. *Id.* § 62001(b)(1)(B), (c)(2). Neither a school district nor a redevelopment successor agency is permitted to participate in a CRIA. *Id.* § 62001(b)(2).
- **Implementing Plan:** The CRIA’s governing body must adopt a community revitalization and investment plan (CRIA Plan), which guides the CRIA’s revitalization programs and may include authority to receive property tax increment revenues generated within the CRIA’s territory. *Id.* § 62003. The CRIA Plan must include detailed information about numerous topics, including planned infrastructure, fiscal projections, and time limits for establishing loans (no more than 30 years) and for repaying debts and fulfilling affordable housing obligations (no more than 45 years). *Id.* The CRIA must hold three noticed public hearings, at least 30 days apart, before adopting the CRIA Plan. *Id.* § 62004(a). The CRIA must terminate the proceedings if, at the third public hearing, a majority protest (over 50 percent) exists among property owners and residents in the plan territory.

² This Office mentioned A.B. 2280 in a previous report that, among other things, described S.B. 628 authorizing the formation of EIFDs. City Att’y Report 2014-12 (Oct. 24, 2014). According to the Governor’s veto message, A.B. 2280 unnecessarily vested the new CRIA program in provisions of the California Community Redevelopment Law. Conversely, A.B. 2 is new law within the California Government Code provisions related to infrastructure financing districts and is not reliant on redevelopment statutory provisions.

Id. § 62004(c)(2). Even if no majority protest exists, the CRIA must call an election if between 25 and 50 percent file a protest. *Id.*

- Eligible Territory: The CRIA Plan must include contiguous territory that meets the following requirements: (i) the annual median income (AMI) is below 80 percent of statewide AMI; and (ii) the area exhibits three of the following four conditions: (a) non-seasonal unemployment is at least three percent higher than statewide median unemployment; (b) crime rates are at least five percent higher than the statewide median crime rate; (c) deteriorated or inadequate infrastructure; and (d) deteriorated commercial or residential structures. *Id.* § 62001(d). Alternatively, the contiguous territory may consist of a former military base principally characterized by deteriorated or inadequate infrastructure and structures. *Id.* § 62001(e).
- Voluntary Participation: Participation in a CRIA is voluntary. *Id.* § 62001(b). A local agency may sponsor the formation of the CRIA as described above. A local agency (other than a school entity) also may, at any time before or after adoption of the CRIA Plan, direct the county auditor-controller to allocate all or part of its share of tax increment funds generated from within the plan territory to the CRIA. *Id.* § 62005(d). Any contributing agency may subsequently terminate its contribution with 60 days' notice to the county-auditor controller. *Id.*
- Financing: A CRIA relies on the same constitutional basis as a former RDA for collection of tax increment revenue. *Id.* § 62001(a); Cal. Const., art. XVI, § 16(b). A.B. 2 requires that each participating entity, such as a city, county, or special district, voluntarily consent to contributing all or part of its share of tax increment funds to the CRIA. *Id.* § 62005(a). A CRIA is authorized to issue bonds to finance the CRIA's activities, without obtaining voter approval. *Id.* § 62002(f). These bonds may be backed by tax increment revenues. *Id.* § 62003(f).
- Projects: CRIAs can be used to finance a broad array of economic revitalization activities, including the construction and repair of infrastructure, the development of affordable housing, the remediation of hazardous substances, the seismic retrofit of buildings, the acquisition and transfer of real property, and the provision of certain types of assistance to residential, industrial, and manufacturing uses. *Id.* § 62002(a)-(e), (i)-(k). A CRIA may acquire real property by eminent domain, if the authority is exercised within 12 years after adoption of the CRIA Plan. *Id.* § 62200(e). This authority is subject to various restrictions, intended to protect the interests of landowners. *Id.* §§ 62203-62205.
- Affordable Housing: A CRIA must deposit at least 25 percent of its tax increment funds into a Low and Moderate Income Housing Fund (LMIHF), to be used solely for affordable housing purposes within the plan territory. *Id.* § 62100(a). In carrying out the housing program identified in the CRIA Plan, a CRIA may conduct a broad variety of real property activities related to acquisition, disposition, construction, and financing. *Id.* § 62100(b). A CRIA may transfer its

housing responsibilities to the local housing authority or to the local redevelopment housing successor if the CRIA determines that combining the LMIHF with other funding for the same purpose will reduce administrative cost or expedite construction of affordable housing. *Id.* § 62100(a).

- **Ongoing Accountability:** A CRIA must adopt an annual report, containing various specified information, on or before June 30 of each year after holding a public hearing. *Id.* § 62006(b). A CRIA also must cause the preparation of an annual independent financial audit using the CRIA's revenues. *Id.* § 62006(a). Every five years, beginning in the calendar year in which the CRIA has allocated a cumulative total of more than \$1,000,000 in tax increment revenue toward its housing program, the CRIA must contract for an independent audit to determine its compliance with applicable affordable housing requirements. *Id.* § 62007(a). Every ten years, the CRIA must conduct a protest proceeding to consider whether the property owners and residents within the plan territory wish to protest continued operation of the CRIA. *Id.* § 62006(e). If a majority protest exists, the CRIA must cease implementing the CRIA Plan. *Id.* If between 25 and 50 percent of the affected property owners and residents file a protest, the CRIA must call an election and may not initiate or authorize any new projects pending the outcome of the election. *Id.*

Any city or county that created an RDA may not establish a CRIA until the local redevelopment successor agency has adopted the following findings of fact: (i) the successor agency has received a finding of completion from the California Department of Finance (DOF); (ii) no assets of the former RDA subject to pending litigation involving the State, where the city, county, or successor agency are a named plaintiff, have been or will be used to benefit any efforts of the CRIA; and (iii) the successor agency has complied with all orders of the State Controller to reverse certain asset transfers deemed ineligible under the redevelopment dissolution laws.³ *Id.* § 62001(b)(3).

B. Potential Utilization by City

The City has recently explored new ways to address deteriorating infrastructure and a significant backlog of deferred capital projects.⁴ A.B. 2 offers one method for the City, on its own or in cooperation with other taxing entities, to finance public infrastructure in one or more geographic areas that meet certain objective blight criteria. Similar to an EIFD, the most valuable tool offered by a CRIA is the ability to collect and expend property tax increment and issue

³ At present, San Diego's redevelopment successor agency would be able to adopt all of these findings of fact, given that the DOF issued the finding of completion in December 2013, there are no redevelopment assets subject to pending litigation that could be used to benefit any efforts of a CRIA, and full compliance with all redevelopment-related orders of the State Controller has been achieved.

⁴ For example, see Independent Budget Analyst Report No. 16-02 (Jan. 15, 2016) regarding the ballot proposal known as the "Rebuild San Diego" City Charter amendment, which seeks to direct certain incremental growth of specified tax revenues to a specific fund used only for infrastructure improvements.

bonds backed by future tax increment revenue.⁵ A CRIA may be of limited practical value, however, if the City is the only eligible local taxing entity that opts to participate in the CRIA by sponsoring its creation and sharing all or a portion of its property tax increment. Absent participation by other taxing entities in the CRIA, the City essentially would be establishing a complex financing authority subject to rigorous reporting and auditing requirements and would be allocating, for specified purposes in a defined geographic area, a future stream of property tax revenue that otherwise would be received by the City as unrestricted General Fund revenue.⁶

II. A.B. 313 – CHANGES TO ENHANCED INFRASTRUCTURE FINANCING DISTRICT LEGISLATION

S.B. 628, which became effective January 1, 2015, authorized the formation of EIFDs, which like CRIAs, partially revive old redevelopment tools and permit the voluntary use of tax increment financing. City Att’y Report 2014-12 (Oct. 24, 2014). A.B. 313, which became effective January 1, 2016, made substantive and clean-up changes to the existing EIFD legislation. A.B. 313 shifted responsibility for creation of an EIFD and adoption of an infrastructure financing plan from the local legislative body to the EIFD’s governing board, known as a public financing authority. *Id.* §§ 53398.62-53398.69. A.B. 313 also bolstered the replacement housing requirements that apply when dwelling units are demolished to accommodate an EIFD-assisted project. *Id.* § 53398.56.

EIFDs and CRIAs share some similarities, but differ in many respects. EIFDs allow a broader range of financing options than CRIAs, but the issuance of tax increment bonds by EIFDs is more complicated, requiring 55 percent voter approval. CRIAs require 25 percent of tax increment funds to be set aside for affordable housing purposes, whereas EIFDs allow funding for affordable housing projects on a voluntary basis. CRIAs are subject to much more rigorous requirements than EIFDs related to eligibility criteria, formation, and ongoing reporting and auditing. *See* Attachments 1 and 2 for spreadsheets comparing EIFDs and CRIAs in more detail.

III. S.B. 533 – RESTRICTIONS ON CERTAIN ECONOMIC DEVELOPMENT INCENTIVES

A. Creation of More Restrictive Provisions and New Noticing Requirements

The Bradley-Burns Uniform Local Sales and Use Tax Law (Bradley-Burns Act) authorizes cities and counties to impose local sales and use taxes in conformity with specified requirements. Cal. Rev. & Tax. Code §§ 7202-7203.2. The Bradley-Burns Act generally provides that, for the purpose of allocating local sales taxes, all retail sales are consummated at the retailer’s place of business where the transaction occurred. *Id.* § 7205(a). This method of

⁵ Property tax increment for a CRIA will be calculated and collected in a manner similar to property tax increment for a redevelopment project area before the statewide elimination of redevelopment. Property tax increment for a CRIA generally equals the incremental increase in property taxes generated within the CRIA’s boundaries after the date of formation of the CRIA, to the extent voluntarily diverted into the CRIA’s special fund by any taxing entity (other than a school district) that elects to participate. Cal. Gov’t Code § 62005(a)(1).

⁶ The Legislature may consider adopting legislation later in 2016, currently in draft form as A.B. 2492, which would relax certain criteria that a geographic territory must meet to become eligible for creation of a CRIA and would broaden the permissible sources of financing for a CRIA’s activities.

allocating sales taxes has led to some competition among cities and counties to attract retail land uses that generate local revenues based on the transaction site.

S.B. 533, which became effective January 1, 2016, establishes a more restrictive, transparent framework for agencies to compete for sales and use tax revenue. S.B. 533 prohibits every local agency from executing an agreement with a retailer that would shift sales and use tax revenue to the agency and away from another agency, if the retailer continues to maintain a physical presence in that other local agency's jurisdiction. Cal. Gov't Code § 53084.5(a).

Previous law, repealed by S.B. 533, generally prohibited every local agency from entering into an agreement that would shift sales and use tax revenue away from another agency, but contained exemptions allowing this type of agreement in several situations.⁷ Due to the repeal of those exemptions, S.B. 533 more effectively restricts a local agency from entering into an agreement with a retailer that would divert sales and use taxes toward that agency. However, S.B. 533 is not an absolute prohibition and does not apply to: (i) any agreement relating to "use tax direct payment permits" issued by the State Board of Equalization under California Revenue and Taxation Code section 7051.3; (ii) any agreement for the purpose of examining sales and use tax records under California Revenue and Taxation Code section 7056(b); and (iii) any mutual tax sharing agreement between local agencies to pay, transfer, or divert sales and use tax revenues from one contracting agency to another contracting agency where the agreement would not result in those tax revenues being directed back to a retailer. *Id.* § 53084.5(d)-(f).

To improve transparency, S.B. 533 creates noticing requirements for any new agreement that will reduce sales and use tax revenue to a local agency, even if the agreement is permitted under S.B. 533 on the basis that the retailer will no longer maintain a physical presence in that agency's jurisdiction. Before approving any revenue-shifting agreement permitted under S.B. 533, the approving local agency must: (i) notify the other local agency in writing by certified mail at least 60 days before approval; and (ii) post the agreement on its official website for 30 days before approval. *Id.* § 53084.5(b)(1)-(2). In addition, a local agency must maintain any approved revenue-shifting agreement on its official website, including any agreement executed before January 1, 2016, while the agreement remains in effect. *Id.* § 53084.5(b)(3).

B. Potential Impacts to City

The City's Business and Industry Incentive Program (Incentive Program) seeks to incentivize local businesses in order to attract and retain major revenue-generating, job-generating, and revitalization projects throughout San Diego. Council Policy 900-12. The Incentive Program favors projects that promote a sound and healthy economy and growth of

⁷ The now-repealed exemptions under previous law included: (i) agreements causing reduction in use tax proceeds as distributed through countywide pools; (ii) agreements involving a retailer's expansion of its operations into another jurisdiction where it is conducting a comparable operation; (iii) agreements where tax proceeds are used to reimburse the retailer for construction of a public works project; and (iv) agreements to pay or rebate tax revenue to a "buying company" (as defined under California Revenue and Taxation Code sections 6066-6075) created for the purpose of performing administrative functions for another entity. Cal. Gov't Code § 53084.5, *repealed and revised by* Sen. Bill 533 (2015-2016 Reg. Sess.). Item (ii) above constituted a fairly broad exemption from the general prohibition against revenue-shifting agreements under previous law.

KJR:nja

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Attachments

cc: Scott Chadwick, Chief Operating Officer
David Graham, Deputy Chief Operating Officer, Neighborhood Services
Mary Lewis, Chief Financial Officer
Lakshmi Kommi, Director, Debt Management Department
Erik Caldwell, Director, Economic Development Department
Rolando Charvel, City Comptroller
Andrea Tevlin, Independent Budget Analyst

Attachment 1 to City Attorney Report

SNAPSHOT COMPARISON BETWEEN EIFDs AND CRIAs

Topic	Enhanced Infrastructure Financing District	Community Revitalization and Investment Authority
<i>Separate Legal Entity from Sponsoring Entity</i>	Yes	Yes
<i>Governing Board with Legislative and Public Members</i>	Yes	Yes
<i>Findings Regarding Redevelopment Dissolution</i>	Yes	Yes
<i>Noticed Public Hearing for Formation</i>	Yes	Yes, need three hearings, including protest proceeding
<i>Voter Approval for Formation</i>	No	If 25-50% of voters file protest at third public hearing
<i>Detailed Implementation Plan</i>	Yes	Yes
<i>Special Blight Criteria for Eligible Geographic Area</i>	No	Yes
<i>Non-Contiguous Boundaries</i>	Yes, optional	No
<i>Future Protest Proceedings</i>	No	Yes, once every ten years
<i>Environmental Review</i>	Yes	Yes
<i>Infrastructure Financing</i>	Yes	Yes
<i>Land Acquisition</i>	Yes, but only to finance land acquisition	Yes, both financing and direct land acquisition
<i>Eminent Domain Authority</i>	No	Yes, subject to strict limitations
<i>Land Conveyance</i>	No	Yes
<i>Environmental Remediation</i>	Yes	Yes
<i>Polanco Act Authority</i>	Yes	Yes
<i>Financing of Maintenance and Operation of Facilities</i>	No	No
<i>Use of Tax Increment Funds</i>	Yes	Yes
<i>Voluntary Participation by Non-School Entities</i>	Yes	Yes
<i>Prohibition on Involvement by Schools and Successor Agencies</i>	Yes	Yes
<i>Authority to Issue Bonds</i>	Yes	Yes
<i>Public Vote for Bond Issuance</i>	Yes, 55% majority of landowners or registered voters within district	No
<i>Longevity</i>	Up to 45 years from issuance of bonds or start-up loan	Up to 45 years from formation of district
<i>Mandatory Allocation of Funds for Affordable Housing</i>	No, optional only	Yes, at least 25% of tax increment
<i>Requirements for Relocation of Displaced Persons</i>	Yes	Yes
<i>Requirements for Replacement Housing for Removed Units</i>	Yes	Yes
<i>Subject to Brown Act, Public Records Act, Political Reform Act</i>	Yes	Yes

Attachment 2 to City Attorney Report

KEY FEATURES OF, AND DETAILED COMPARISON BETWEEN, EIFDs AND CRIAs

General Notes:

- Single asterisk (*) in Topic column denotes ways in which EIFDs and CRIAs are identical or very similar.
- All section references in brackets are to the California Government Code.
- This document provides a detailed, but not fully comprehensive, overview of the two types of infrastructure financing districts. The enabling statutes for these districts provide more specific requirements than described in this document.

Topic	Enhanced Infrastructure Financing District (EIFD)	Community Revitalization and Investment Authority (CRIA)
<i>Enabling Statutes</i>	<ul style="list-style-type: none"> • Government Code sections 53398.50-53398.88 • S.B. 628 (enacted 9/29/14, effective 1/1/15) • A.B. 313 (enacted 9/22/15, effective 1/1/16) 	<ul style="list-style-type: none"> • Government Code sections 62000-62208 • A.B. 2 (enacted 9/22/15, effective 1/1/16)
<i>Formation</i>	<ul style="list-style-type: none"> • Legislative body of sponsoring city or county adopts resolution establishing public financing authority (PFA) • PFA adopts resolution approving EIFD formation [§§ 53398.51.1(b), 53398.59, 53398.68, 53398.69(a)] 	<ul style="list-style-type: none"> • Two methods of formation: (i) legislative body of sponsoring city or county adopts resolution creating CRIA; or (ii) multiple taxing entities create CRIA by executing joint powers agreement • Election is required if 25 to 50 percent of affected voters file protest (see “Adoption of Implementing Plan” below) [§ 62001(b)(1)]
<i>Governance</i>	<ul style="list-style-type: none"> • EIFD is governed by PFA • EIFD is separate and distinct legal entity from city or county that established EIFD for sole purpose of financing authorized facilities or other projects [§ 53398.51(f), (i)] 	<ul style="list-style-type: none"> • Community revitalization and investment plan is governed by CRIA, which is separate and distinct legal entity from entity that created CRIA • CRIA is created by (i) sponsoring city or county, or (ii) multiple taxing entities via joint powers agreement [§ 62001(a), (b)(1)]

<p><i>Composition of Governing Body</i></p>	<ul style="list-style-type: none"> • If EIFD has only one participating taxing entity (i.e., sponsoring city or county), PFA consists of three members of legislative body of participating entity (e.g., city council or county board of supervisors) and two public members chosen by legislative body • If EIFD has two or more participating taxing entities, majority of PFA consists of members of legislative bodies of participating entities, and PFA also includes at least two public members chosen by those legislative bodies <p>[§ 53398.51.1(a)]</p>	<ul style="list-style-type: none"> • If created by sponsoring city or county, CRIA's governing board is appointed by sponsor's legislative body and consists of three members of legislative body, and two public members who live or work in plan area • If created by joint powers agreement, majority of CRIA's governing board consists of members of legislative bodies of public agencies that created CRIA, and governing board also includes at least two public members who live or work in plan area • If plan area consists of former military base, governing board must include member of military base closure commission as public member <p>[§ 62001(c)]</p>
<p><i>Adoption of Implementing Plan</i></p>	<ul style="list-style-type: none"> • Legislative body of sponsoring city or county must adopt resolution of intention to establish EIFD, including contents required by statute • This resolution is sent to PFA, which directs city or county engineer or other appropriate official to prepare infrastructure financing plan (EIFD Plan) • PFA must conduct noticed public hearing and receive and consider public objections before adopting plan • PFA may abandon proceedings, may adopt EIFD Plan without changes, or may modify EIFD Plan in specified ways • Statute does not allow for majority protest or election <p>[§§ 53398.59-53398.69]</p>	<ul style="list-style-type: none"> • CRIA must adopt community revitalization and investment plan (CRIA Plan) • CRIA must hold three noticed public hearings, at least 30 days apart, before approving CRIA Plan • Draft CRIA Plan must be made available to public and each affected property owner at least 30 days before notice is given for first public hearing • CRIA must terminate proceedings if, at third public hearing, majority protest (more than 50 percent) exists among property owners and residents in plan territory • CRIA must call election, which may involve mail-in ballots, if between 25 and 50 percent file protest • If less than 25 percent file protest, CRIA may adopt CRIA Plan by ordinance <p>[§ 62004]</p>
<p><i>Contents of Plan</i></p>	<ul style="list-style-type: none"> • Consistency with applicable general plan • Map and legal description of EIFD Plan area 	<ul style="list-style-type: none"> • Statement of principal goals and objectives, including identification of plan territory

	<ul style="list-style-type: none"> • Description of proposed public facilities, development, and financial assistance • If funding from affecting taxing entities is incorporated, a finding that development and financial assistance are of communitywide significance and provide significant benefits to area larger than EIFD Plan area • Various financing information, including allocated shares, projections, dollar limits, and time limits of tax increment revenue, description of any intention to incur debt, and analysis of future fiscal impacts • Plan for replacement of any dwelling units to be removed or destroyed and for relocation of displaced persons or families • Proposed goals of each financed project [§ 53398.63] 	<ul style="list-style-type: none"> • Description of deteriorated or inadequate infrastructure within plan territory and program for construction of adequate infrastructure or repair and upgrading of existing infrastructure • Affordable housing program with specified elements • Program to remedy hazardous substances, if applicable • Program to provide funding for or otherwise facilitate economic revitalization • Fiscal analysis setting forth projected receipt of revenue and projected expenses over five-year planning horizon • Time limits for incurring and repaying debt and fulfilling obligations (see "Longevity" below) • Determination that plan territory meets certain eligibility criteria (see "Eligible Geographic Area" below) • Confirmation that tax increment funds will be allocated to CRIA, if applicable • Provisions that require replacement housing for displaced persons or families of low or moderate income and that prohibit any reduction in number of affordable housing units in plan territory <p>[§§ 62003, 62005(a)(1), 62103]</p>
<p><i>Future Plan Amendments</i></p>	<ul style="list-style-type: none"> • Statute is silent regarding future plan amendments • Presumably, amendments are permitted, but must be approved in accordance with same procedures governing adoption of EIFD Plan 	<p>CRIA must review CRIA Plan annually and make any necessary and appropriate amendments in accordance with same procedures governing plan adoption [§ 62006(a)]</p>
<p><i>*Environmental Review</i></p>	<p>EIFD Plan must be accompanied by any report required by California Environmental Quality Act (CEQA), and such report must be sent to landowners within proposed EIFD, planning commission, and legislative body [§ 53398.64]</p>	<ul style="list-style-type: none"> • Statute is silent regarding environmental review • Generally, CEQA compliance must be achieved before adoption of CRIA Plan

<p><i>Eligible Geographic Area</i></p>	<ul style="list-style-type: none"> • All geographic areas (including non-contiguous ones), in need of public facilities or other specified projects, are eligible for creation of EIFD, without need to meet objective blight criteria • Financed facilities may be located outside of EIFD's physical boundaries if they have tangible connection to EIFD's work <p>[§ 53398.51(f)]</p>	<ul style="list-style-type: none"> • CRIA area may take one of two forms, but must include contiguous geographic area • Primary form: (i) annual median income (AMI) is below 80 percent of statewide AMI; and (ii) area must exhibit three of following four conditions: (a) non-seasonal unemployment at least three percent higher than statewide median unemployment; (b) crime rates at least five percent higher than statewide median crime rate; (c) deteriorated or inadequate infrastructure; and (d) deteriorated commercial or residential structures • Alternative form: former military base principally characterized by deteriorated or inadequate infrastructure and structures <p>[§ 62001(d)-(e)]</p>
<p><i>Eligible Projects and Funding Recipients</i></p>	<ul style="list-style-type: none"> • Purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with estimated useful life of 15 years or longer, so long as project includes public capital facilities or other specified projects of communitywide significance that provide significant benefits to district or surrounding community (statute provides numerous examples of eligible projects) • Planning and design work directly related to financed projects <p>[§ 53398.52(a), (b)]</p>	<ul style="list-style-type: none"> • Infrastructure • Affordable housing • Environmental remediation • Seismic retrofits of existing buildings • Acquisition of real property and transfer of that property subject to long-term restrictive covenants • Loans or grants for building improvements • Construction of structures necessary for provision or utilization of air rights sites • Direct assistance to businesses related to industrial or manufacturing facilities <p>[§ 62002]</p>
<p><i>Potential Funding Sources</i></p>	<ul style="list-style-type: none"> • All or part of consenting local agency's tax increment revenue from plan territory • Loans, grants, or other financial assistance or investment from any other public agency or private lender 	

	<ul style="list-style-type: none"> • All or part of sponsoring entity's periodic distributions from Redevelopment Property Tax Trust Fund (RPTTF) • Specified portion of consenting local agency's property tax revenue related to vehicle license fee adjustment amounts • Various other specified sources, including issuance of bonds, issuance of loan from affected taxing entity, and property-based assessments imposed pursuant to specified laws <p>[§§ 53398.75, 53398.77, 53398.87]</p>	<ul style="list-style-type: none"> • Issuance of bonds • Advance of funds from consenting local agency, to be repaid using tax increment revenue • Agreement with qualified community development entity for use of new markets tax credits <p>[§§ 62002(f)-(g), 62005(a)(2), (d)]</p>
<p><i>*Limits on Entity Participation</i></p>	<p>No school entity or redevelopment successor agency may participate in formation, governance, or funding of EIFD [§ 53398.51(a)]</p>	<p>No school entity or redevelopment successor agency may participate in formation, governance, or funding of CRIA [§ 62000(b)(2)]</p>
<p><i>*Maintenance and Operations</i></p>	<p>EIFD may not finance routine maintenance, repair work, or costs of ongoing operations or services of any kind, except for repair of industrial structures for private use [§ 53398.52(a)(3), (13)]</p>	<p>List of various permitted activities for CRIA does not include maintenance, repair, or operations [§ 62002]</p>
<p><i>Prohibited Financial Assistance</i></p>	<p>No prohibitions against financial assistance toward specified types of projects</p>	<ul style="list-style-type: none"> • Automobile dealership on parcel of land not previously developed for urban use • Development on parcel of land of five acres or more not previously developed for urban use and that will, when developed, generate sales or use tax, unless principal permitted use is office, hotel, manufacturing, or industrial (i.e., no assistance toward "big-box" retail on undeveloped land) • Acquisition, development, or rehabilitation of property used for gambling or gaming of any kind <p>[§ 62202]</p>

<p><i>*Redevelopment Dissolution</i></p>	<ul style="list-style-type: none"> • City or county that created redevelopment agency (RDA) cannot initiate creation of EIFD or participate in governance or financing of EIFD until following conditions have been met: <ul style="list-style-type: none"> ➢ Cal. Dept. of Finance (DOF) issued finding of completion to successor agency ➢ No former RDA assets at issue in sponsoring entity's pending litigation against State have been or will be used to benefit CRIA's efforts ➢ Successor agency has complied with all "claw-back" orders issued by State Controller ➢ Successor agency and sponsoring entity have complied with all "claw-back" orders issued by State Controller • EIFD may not receive any RPTTF distribution • Any debt or obligation of EIFD is subordinate to enforceable obligations owed by successor agency <p>[§§ 53398.54, 53398.75(b)]</p>	<ul style="list-style-type: none"> • CRIA formed by sponsoring city or county cannot become effective until redevelopment successor agency has adopted findings of fact that: <ul style="list-style-type: none"> ➢ DOF issued finding of completion to successor agency ➢ No former RDA assets at issue in sponsoring entity's pending litigation against State have been or will be used to benefit CRIA's efforts ➢ Successor agency has complied with all "claw-back" orders issued by State Controller • CRIA may not receive any RPTTF distribution • Tax increment revenue payable to CRIA is subordinate to enforceable obligations owed by successor agency <p>[§§ 62000(b)(2)(B), (3), 62005(f)]</p>
<p><i>Allocation of Funds for Affordable Housing</i></p>	<p>EIFD is not required to set aside any funds for affordable housing, but may, at its option, finance acquisition, construction, or rehabilitation of affordable housing units for rent or purchase</p> <p>[§ 53398.52(b)(12)]</p>	<ul style="list-style-type: none"> • At least 25 percent of all tax increment funds allocated to CRIA from any consenting local agency must be deposited into separate Low and Moderate Income Housing Fund (Housing Fund) and used by CRIA to increase, improve, and preserve community's supply of low- and moderate-income housing available at affordable housing cost within plan territory • CRIA may transfer Housing Fund to local housing authority of redevelopment housing successor, if CRIA makes finding that combining funding sources will reduce administrative costs or expedite construction of affordable housing, although Housing Fund monies must continue to be expended within plan territory <p>[§§ 62100(a), 62101(a)-(c)]</p>

<p><i>*Affordability Covenants</i></p>	<ul style="list-style-type: none"> • All new or rehabilitated affordable housing units assisted by EIFD must be subject to recorded affordability covenants for longest feasible time, including at least 55 years for rental units and 45 years for owner-occupied units • Earlier sale of owner-occupied units is permitted with use of adopted equity-sharing program or other adopted program that protects EIFD's investment of monies in affordable units <p>[§§ 53398.52(c), 53398.56(e)]</p>	<ul style="list-style-type: none"> • All new or substantially rehabilitated affordable housing units developed or assisted with Housing Fund monies must be subject to recorded affordability covenants for longest feasible time, including at least 55 years for rental units, 45 years for owner-occupied units, and 15 years for mutual self-help housing units • Earlier sale of owner-occupied units and mutual self-help housing units is permitted with use of adopted equity-sharing program that benefits Housing Fund or other adopted program that protects CRILA's investment of monies in Housing Fund <p>[§ 62101(f)(1)]</p>
<p><i>Production of Affordable Residential Units</i></p>	<ul style="list-style-type: none"> • No minimum requirements for production of affordable units, as funding for affordable housing is optional • If EIFD assists mixed-income housing development, EIFD may finance only those units restricted to persons and families of very low, low, or moderate income, as well as onsite facilities for child care, after-school care, and social services integrally linked to tenants of restricted units <p>[§ 53398.52(d)]</p>	<ul style="list-style-type: none"> • Before CRILA Plan expires, CRILA must meet two types of production requirements • First, at least 30 percent of all new and substantially rehabilitated dwelling units developed in plan territory by CRILA must be available to and occupied by low and moderate income households (including at least 50 percent of those units for very low income households) • Second, at least 15 percent of all new and substantially rehabilitated dwelling units developed in plan territory by public or private entities or persons other than CRILA must be available to and occupied by low and moderate income households (including at least 40 percent of those units for very low income households) <p>[§ 62120(b)]</p>
<p><i>Replacement Housing</i></p>	<ul style="list-style-type: none"> • Legislative intent is that creation of EIFD should not ordinarily lead to removal of dwelling units • However, if any dwelling units are proposed to be removed or destroyed as result of EIFD-assisted 	<ul style="list-style-type: none"> • If CRILA enters into written agreement or provides financial assistance for revitalization project that destroys or removes dwelling units occupied by low or moderate income persons or families, CRILA must ensure that equal number of replacement dwelling units with equal or

	<p>activity, then EIFD Plan must include certain replacement housing provisions</p> <ul style="list-style-type: none"> • All removed affordable housing units must be replaced at affordable rent/cost within two years, and replacement units must be located within one-half mile of removed units • At least 25 percent of all other removed housing units must be replaced within two years at affordable rent/cost <p>[§ 53398.56(a), (b)]</p>	<p>greater number of bedrooms are rehabilitated or constructed within two years after destruction or removal and made available at affordable housing cost to persons in same or lower income category as persons displaced from destroyed or removed units</p> <ul style="list-style-type: none"> • Replacement housing units must be subject to recorded affordability covenants for longest feasible time, including at least 55 years for rental units, 45 years for owner-occupied units, and 15 years for mutual self-help housing units • At least 30 days before agreement is executed that would trigger replacement housing obligations, CRIA must adopt replacement housing plan with specified contents <p>[§§ 62120, 62120.5]</p>
<p><i>Monitoring of Affordable Housing Units</i></p>	<p>No specific monitoring requirements</p>	<ul style="list-style-type: none"> • CRIA must monitor any affordable housing developed or made available as result of CRIA's assistance • CRIA must obtain annual written report from owners or managers of these affordable housing units to ensure continued income eligibility of occupants • CRIA must compile and maintain database, posted on CRIA's official website, containing specified information regarding CRIA-assisted affordable housing units <p>[§ 62123]</p>
<p><i>Relocation Costs and Preference</i></p>	<p>If dwelling units are proposed to be destroyed or removed to accommodate EIFD-financed project, EIFD Plan must require compliance with all relocation assistance requirements under applicable State laws [§ 53398.56(c), (d)]</p>	<ul style="list-style-type: none"> • CRIA must prepare feasible method or plan, in compliance with applicable State laws, for relocation of families, persons, or nonprofit local community associations to be temporarily or permanently displaced from facilities within plan territory • No persons or families of low and moderate income may be displaced unless suitable housing unit is available and ready for occupancy at comparable rents

		<ul style="list-style-type: none"> • Persons and families of low and moderate income displaced by revitalization project must be given priority in renting or buying CRIA-assisted housing units • CRIA must provide relocation assistance and make relocation payments as required by applicable State laws <p>[§§ 62115-62117, 62121]</p>
<i>Eminent Domain Authority</i>	No	<p>Yes, if exercised within 12 years after adoption of CRIA Plan and subject to various noticing requirements and other restrictions [§§ 62201(e), 62203-62204]</p>
<i>Methods to Acquire Property</i>	PFA may not acquire property, but EIFD may be used to finance acquisition of property, specifically for affordable housing and industrial structures for private use [§ 53398.52(a)(1)(A), (12), (13)]	<ul style="list-style-type: none"> • CRIA may acquire real or personal property via purchase, lease, gift, grant, or conveyance from public or private entity • CRIA also may acquire real property by eminent domain • CRIA must obtain independent appraisal before acquiring or purchasing real property <p>[§§ 62002(e), 62201(a)-(b), (e)]</p>
<i>Methods to Transfer Property</i>	None	<ul style="list-style-type: none"> • CRIA may transfer real property, but must retain controls and establish restrictions or covenants running with land sold or leased for private use in accordance with community revitalization and investment plan • CRIA may sell, lease, grant, or donate real property to housing authority or any public agency for public housing projects • If CRIA acquires property for rehabilitation and resale, then CRIA may offer this property for resale within one year after completion of rehabilitation <p>[§§ 62002(e), 62201(c)-(d), 62208]</p>

<p><i>*Polanco Authority</i></p>	<p>Yes, EIFD may utilize any powers under Polanco Redevelopment Act and may finance any related actions [§ 53398.52(e)]</p>	<p>Yes, CRIA may remedy or remove release of hazardous substances pursuant to Polanco Redevelopment Act [§ 62002(c)]</p>
<p><i>Issuance of Bonds</i></p>	<ul style="list-style-type: none"> • PFA may, by majority vote, (i) initiate proceedings to issue bonds by adopting resolution of intent containing specified information and (ii) provide for refunding of existing bonds • Proposed issuance of bonds must be submitted to voters who reside within EIFD at next general election or at special election • If EIFD's territory consists of at least 12 registered voters, then vote will involve all registered voters, each with one vote • Otherwise, vote will involve landowners within EIFD, each with one vote per acre of land owned within district • Bond issuance requires approval by at least 55 percent of voters • If voter approval occurs, then PFA must proceed with bond issuance by adopting resolution containing specified information regarding bonds [§§ 53398.77-53398.83] 	<p>CRIA is authorized to issue bonds, including refunding bonds, without public vote [§ 62002(f)]</p>
<p><i>Time Limit on Validation Actions</i></p>	<ul style="list-style-type: none"> • Legal action to challenge creation of EIFD, adoption of EIFD Plan, or election for bond issuance must be commenced within 30 days after enactment of resolution creating EIFD • Validation action for bond issuance must be commenced within 30 days after adoption of resolution providing for bond issuance [§§ 53398.57-53398.58] 	<p>No special time limits for legal actions related to creation of CRIA, adoption of CRIA Plan, or issuance of bonds</p>

<p><i>Recovery of Formation Costs</i></p>	<p>EIFD may expend up to ten percent of any accrued tax increment within first two years after effective date of EIFD on planning and dissemination of information to residents within EIFD's boundaries about EIFD Plan and planned activities to be funded by EIFD [§ 53398.69(c)]</p>	<ul style="list-style-type: none"> • Sponsoring entity or entities may appropriate funds deemed necessary for CRIA's administrative expenses and overhead, either as grant or as loan to repaid on terms and conditions provided by lending sponsoring entity • Property owners and residents in plan territory become third-party beneficiaries of loan repayment <p>[§ 62001(g)]</p>
<p><i>Longevity</i></p>	<p>EIFD Plan must specify date on which EIFD will cease to exist – no more than 45 years after date on which bond issuance is approved or loan issuance from taxing entity is approved [§ 53398.63(d)(5)]</p>	<ul style="list-style-type: none"> • CRIA Plan must specify time limits not exceeding (i) 30 years for establishing loans, advances, and indebtedness, and (ii) 45 years for repayment of CRIA's debts and fulfillment of CRIA's obligations • Implementation of CRIA Plan may be discontinued earlier as result of protest proceeding held once every 10 years (see "Future Protest Proceedings" below) <p>[§§ 62003(g), 62006(e)-(h)]</p>
<p><i>Future Reporting</i></p>	<p>No special reporting requirements</p>	<ul style="list-style-type: none"> • CRIA must adopt annual report, containing specified information, on or before June 30 of each year after holding public hearing • CRIA must comply with various reporting and monitoring obligations with respect to affordable housing <p>[§§ 62006(b)-(d), 62107, 62123]</p>
<p><i>Future Audits</i></p>	<ul style="list-style-type: none"> • EIFD must contract for independent financial and performance audit, to be conducted per State Controller's guidelines, every two years after issuance of bond debt • Copy of completed audit must be provided to State Controller, DOF's Director, and Joint Legislative Budget Committee 	<ul style="list-style-type: none"> • CRIA must cause preparation of annual independent financial audit paid for with CRIA's revenues • Once CRIA has allocated cumulative tax increment of more than \$1 million toward its affordable housing program, CRIA must cause preparation of audit every five years to determine compliance with applicable affordable housing requirements

	<ul style="list-style-type: none"> Bureau of State Audits also has authority to conduct financial and performance audits of EIFDs [§ 53398.88] 	[§§ 62006(a), 62007-62008]
<i>Future Protest Proceedings</i>	None	<ul style="list-style-type: none"> Every 10 years, CRIA must hold public hearing to consider objections to continued implementation of CRIA Plan If majority protest exists among property owners and residents in plan territory, CRIA must discontinue implementing CRIA Plan If between 25 and 50 percent file protest, CRIA must call election and may not initiate or authorize any new projects pending outcome of election [§ 62006(e)-(h)]
<i>*Transparency and Disclosure Laws</i>	PFA is local public agency subject to Brown Act, Public Records Act, and Political Reform Act of 1974 [§ 53398.51.1(e)]	CRIA is local public agency subject to Brown Act, Public Records Act, and Political Reform Act of 1974 [§ 62001(f)]