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Senator Ben Allen April 11, 2018

California State Senate, SD 26

Re: SB 961

Dear Senator Allen:

As sponsors of SB 961, Move LA expresses our appreciation your leadership in authoring the bill and providing an opportunity for the California State Senate to debate the merits of employing an important tool for enhanced community development near our state’s growing transit systems.

SB 961 builds upon the legislature’s prior creation of Neighborhood Infill and Transit Improvements (NIFTI) districts to create an enhanced version we call NIFTI-2 districts.

SB 961 will provide a truly transit-oriented use of one of our most important community development tools, infrastructure finance districts that employ tax increment financing authority. Unlike any other infrastructure finance district, NIFTI-2 districts must be within one-half mile of a rail transit station or within 300 feet of a transit rich boulevard served by bus rapid transit or high-frequency bus service.

We are especially eager for the opportunity the bill would create for the development of affordable housing near transit. While it has been common for infrastructure finance districts to provide a share of its tax increment to fund affordable housing, the 40% share proposed by SB 961 significantly exceeds the customary modest contribution. In doing so it demonstrates the importance of such affordable housing developments, which serve important public purposes:

First, in general, enhancing the supply of housing affordable to low and very low-income households serves a vital public purpose. The shortage of such housing in large part explains the growing army of homeless persons present in communities throughout California. Enabling our low-income families to have reliable, stable, affordable housing is a precursor to the formation of stable families, a well-educated workforce with upward mobility and stable healthy communities.

Second, it is incontestable that our low-income workforce is the core ridership on our transit systems. Enhancing the ability of low-income households to find affordable homes near our transit systems enables the expansion of ridership on that system, especially our bus system, and serves to reduce traffic congestion, air pollution and greenhouse gas emissions.

Thus, ensuring low income families ease of access to transit is in everyone’s interest.

There is no doubt that an aggressive affordable housing program for neighborhoods near transit is very much called for. But we need a strategy that is collaborative. We need a strategy that reflects the need to protect existing residents and to preserve existing affordable housing as well. The right policies can protect existing housing and existing residents, while providing significantly more affordable housing and many more likely transit riders.

Of course, significant new market rate housing is an important part of a successful community development strategy as well. SB 961 can create the conditions for expanded development of market rate housing near transit. SB 961 provides that the portion of the tax increment not committed to affordable housing be used both for transit system improvements as well as for broader community improvements that will make NIFTI-2 districts attractive places to live for families of all incomes.

We believe the legislature was heading in the right direction with its incremental development of several forms of infrastructure financing districts (IFD), each of which will find its role. Similar to redevelopment, but without taking property taxes away from schools and counties and without the authority of eminent domain, several forms of IFDs were approved by the legislature.

SB 961 or NIFTI-2 is an extension of the NIFTI program the legislature adopted but with more direct connection to transit and more emphasis on developing new affordable housing.

However, if cities are to actually undertake the use of infrastructure finance districts, the legislature needs to make the process easier. Negotiations with the county (and school and college boards) can be difficult enough, but 55% voter approval as well? Cities are not lining up to make use of the earlier forms of IFDs. In the spirit of dialogue toward a collaborative solution, we propose that:

* **A city creating a NIFTI-2 district, with its commitment of 40% of the tax increment to affordable housing, shall not be required to seek voter approval to bond against the tax increment.**

Bonding is an essential ingredient of a tax increment program. Bonding enables the tax increment revenue to begin its community development work early, so it can stimulate the process of new private investment in the district, triggering enhanced private value that in turn yields increased tax increments: a virtuous cycle.

Voter approval of bonding historically has been required only in specific circumstances: 1) when taxes are increased to pay down the bonds (e.g., school bonds) or 2) when the bond is secured by a city’s general fund (e.g., general obligation bonds). Bonds secured by specific revenue sources, or revenue bonds, were deemed to not require voter approval.

Similarly, redevelopment bonds were secured by a specific revenue stream, the growth in property tax increment, and voter approval was not required. Redevelopment bonds were very secure, relying on the proposition that, over the long term, property values rise and services funded by a city’s general fund, like public safety services, were not in any way at risk.

In short, voter approval of bonding against the property tax increment should not be necessary.

In addition, Move LA believes that:

* **Communities should be encouraged to directly invest the tax increment in the transit system itself, specifically transit stations, as well as first-last-mile infrastructure.**

Since we are looking at geographic districts, it makes sense to encourage direct investment in transit stations (for rail and BRT along boulevards) which can serve as important anchors for community planning in such districts.

* **To reduce development costs and to encourage market rate projects affordable to middle income households, as well as to provide further support to affordable housing, we propose that in NIFTI-2 districts parking not be required in new developments. Instead, tax increment funds can be invested directly in detached, unbundled, publicly-owned district parking structures.**

Doing so will reduce development costs as much as 25% on both market rate and affordable housing developments and allow lower rents.

Such parking should be required 1) to ensure that excess parking is not provided; 2) to have ground floor retail and commercial services that facilitate rather than hamper pedestrian environments; 3) to provide safe harbor space for local businesses that might be displaced by new developments; and 4) to ensure that revenue from parking use be expended on strategies to reduce auto use, such as TDM programs.

These ideas are part of building on the prior efforts to create a collaborative program, incrementally with other legislators, communities and constituencies.

Thank you for your leadership



Denny Zane

Executive Director

Move LA