

SB 15 (Portantino) – Local Government Incentives to Rezone Idle Retail Sites for Workforce Housing

PROBLEM/ISSUE

Lack of affordable housing is a major issue for current and potential employers in California counties. Housing is intrinsically connected to the welfare of workforce populations and business. Lacking sufficient attainable housing for employees, work environments suffer and the greater economy is negatively impacted.

A concurrent trend has emerged in local economies due to the growth of e-commerce. Since 2017, national retailers have been reducing their demand for future space in retail centers, are closing stores and abandoning retail sites at a record pace greater than during the Great Recession.

The intent of this legislation is to give incentives to cities that convert these abandoned retail sites into affordable and workforce housing. These fiscal incentives will be used by local governments to replace the sales tax revenues from these big box retail stores.

BACKGROUND

California has a housing emergency. According to the California Department of Housing and Community Development (HCD), from 2015-2025, approximately 1.8 million new housing units are needed to meet projected population and household growth, or 180,000 new homes annually.

The imbalance between supply and demand has driven California housing costs to be the highest in the nation, with an average median home price now 2.5 times the U.S. median. These high prices have prohibited occupations like teachers, nurses, public safety officers and younger professionals the ability

to afford owning a home, essential for building a stronger and vibrant economy.

According to a paper written in June 2018 by the George Mason School, Center of Real Estate;

"The growth of e-commerce has made public retailers have lose enterprise value.

In addition to closing stores, many retailers are reducing demand for future space in retail centers.

Closings and cutbacks by retailers are happening in areas that are least affluent and least densely populated. Retailers are disproportionately leaving poorer and rural areas (67%) as opposed to large/affluent cities (13%)."

Now is the opportunity to construct affordable housing on land formerly used by commercial retailers and give local governments fiscal incentives to reward them for rezoning, approving, completing and allowing occupancy of workforce housing projects.

SUMMARY

SB 15 will enable local cities to receive from HCD the average of the annual amount of sales tax revenue generated by that site for the last seven (7) years if the site has been converted and occupied with new housing. The city would receive that average amount for a total of seven years.

For a local government to receive this fiscal incentive, beyond just rezoning the sites, the city must approve a housing development project through its planning process, must be built and have a certificate of occupancy for the city to be eligible and receive the sales tax rebate.

Should the city approve a mixed use development on the site, the city would be eligible for the sales tax rebate only on the amount of square footage dedicated to housing.

EXISTING LAW

Existing law through the Workforce Housing Reward Program allows grants to be made available to local governments that provide land use approval to housing projects that are affordable to very low and low-income households.

SUPPORT

BizFed (Sponsor)
State Building and Construction Trades Council of California (Sponsor)
The Los Angeles County Division of the League of California Cities (Sponsor)
Better Way CA
California Cities for Local Control
California-Nevada Conference of Operating Engineers
Century Glen HOA
Citizens Preserving Voice
City of Claremont
City of Santa Monica
Crescenta Highlands Neighborhood Association
Hollywoodland Homeowners Association
Latino Alliance for Community Engagement
Livable California
Miracle Mile Residential Association
Pacific Palisades Community Council
Riviera Homeowners Assn
Save Our Single-Family Neighborhoods
Sherman Oaks Neighborhood Association
South Bay Cities Council of Governments
Spalding Square Neighborhood Association
Verdugo Woodlands West Homeowners Association



Version: 3/15/2021