



Date: April 25, 2001
To: IRP Legislative Committee Members
From: Staff
RE: IRP Related Items in the Proposed FY 01-02 Budget for the State Housing and Community Development Department (HCD)

The proposed Housing and Community Development budget for FY 2001-02 includes a number of programs that would affect the IRP. The items are below.

Incentive Grants:

The 2001/2002 proposed budget would have added an additional \$200 million to the existing Jobs/Housing Improvement Program. This program was created by the passage of AB 2864 (Torlakson, 2000). The existing program makes available \$100 million in incentive payments to local governments to increase housing, based on the level and type of permits issued by a jurisdiction in 2001. The Governor's January Budget Proposal included an additional \$200 million, based on permits issued in 2001 and 2002.

The Legislative Analysts's Office stated that the payments would fail to change the underlying disincentives to build more housing, and recommended "redirecting" the funding, including the \$200 million proposed by the Governor, to a more effective approach to addressing the state's housing needs.

In the May budget revision, due to the change in fiscal outlook, the \$200 million augmentation was eliminated.

Central Valley Infrastructure Grant Program:

The proposed HCD budget also includes \$20.2 million in funding for a new Central Valley Infrastructure Grant Program, proposed by the Governor. Grants of up to \$1 million would be given to no more than 25 projects that promote economic development, and are related to water and wastewater systems, utilities, streets, or communications.

The Legislative Analyst's Office recommends deleting the funding for this program because it presumes that local governments in the Central Valley can't fund their own improvements, other programs already offer assistance of this sort, and it is unclear why other rural governments outside the Valley have been excluded.

Requested Action

Staff recommends that the IRP seek a \$25 million earmark to fund opportunity zone incentives which are part of the IRP Pilot Program.