



**Housing, Land Use and Transportation Policy
Committee**
CSAC Annual Meeting
Wednesday, November 29, 2017 — 8:30 a.m. - 10:00 a.m.
Room 313, Sacramento Convention Center
Sacramento County, California

Supervisor David Rabbitt, Sonoma County, Chair
Supervisor Lisa Bartlett, Orange County, Vice-Chair
Supervisor Bob Williams, Tehama County, Vice Chair

- 8:30 a.m. I. **Welcome and Introductions**
Supervisor David Rabbitt, Chair
- 8:35 a.m. II. **2017 Affordable Housing Package**
*Ben Metcalf, Director, California Department of Housing and
Community Development (invited)*
Attachment One: Summary of Housing Package for Counties
Attachment Two: Housing Funding Bills Summary
- 8:55 a.m. III. **Protecting State Transportation Funding**
Kiana Valentine, Senior Legislative Representative, CSAC
- 9:05 a.m. IV. **Preparing for the Future: Connected and Autonomous
Vehicles**
*Malcolm Dougherty, Director, California Department of
Transportation*
Randy Weissman, Chief Deputy, California Office of Traffic Safety
- 9:30 a.m. V. **Keep Your Home California**
*Steve Gallagher, Marketing and External Affairs Coordinator,
California Housing Finance Agency*
- 9:50 a.m. VI. **Adoption of 2018 Housing, Land Use and Transportation
Priorities and Work Plan – Action Item**
Chris Lee, Senior Legislative Analyst, CSAC
Attachment Three: Housing, Land Use and Transportation
Committee Proposed 2018 Work Plan
- 10:00 a.m. VII. **Closing Comments and Adjournment**
Supervisor David Rabbitt, Chair
Supervisor Lisa Bartlett, Vice-Chair
Supervisor Bob Williams, Vice Chair

LIST OF ATTACHMENTS

Attachment One Summary of Housing Package for
Counties

Attachment Two Housing Funding Bills Summary

Attachment Three Housing, Land Use and Transportation
Committee Proposed 2018 Work Plan

Attachment One
Summary of Housing Package for Counties



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To: CSAC Housing, Land Use and Transportation Policy Committee

From: Kiana Valentine, CSAC Senior Legislative Representative
Chris Lee, CSAC Senior Legislative Analyst

Date: November 13, 2017

Re: **Summary of 2017 Housing Package for Counties**

The Governor recently signed a package of bills aimed at increasing production of affordable homes. The bills provide direct subsidies for constructing affordable homes, attempt to streamline the housing development process, and provide opportunity to access funding for updating or developing land use plans that encourage affordable housing development. Several bills in the package, however, will require new planning and analysis and increase exposure to litigation. Bills with direct implications to counties are discussed below. The new laws listed below become effective January 1, 2018 unless otherwise noted.

Affordable Housing Funding

SB 2 (Atkins), the Building Homes and Jobs Act, establishes a new \$75 recording fee on real estate transactions (excluding new home purchases) to create a permanent source of state funding for affordable housing (up to \$225 per transaction). The bill is expected to generate approximately \$225 - \$260 million per year in new revenue.

In the first year, half of the funding will go to address the state's homelessness epidemic on a competitive basis with geographic equity and the other half will be available for local governments for updating planning documents, including general plans and community plans. After the first year, seventy percent of funds will be allocated to local governments, ten percent to farmworker housing, and fifteen percent to the California Housing Finance Agency for mixed-income workforce housing. Additional detail on funding allocations is included as Attachment Two.

SB 3 (Beall), the Affordable Housing Bond Act of 2018, places a measure on the November 2018 statewide ballot asking the voters to approve the issuance of \$4 billion in general obligation bonds. \$3 billion will be allocated to funding affordable housing development through existing state programs, all of which include counties as eligible applicants. The additional \$1 billion would be used to recapitalize an affordable homeownership program for veterans that would otherwise run out of capacity in 2018. This portion of the bond funds would be repaid back through veterans' mortgage payments. Additional detail on bond funding allocations is included as Attachment Two.

Changes to Housing Permitting Processes and Legal Review

AB 72 (Santiago) requires the Department of Housing and Community Development (HCD) to review local jurisdictions' General Plans and housing actions to ensure that they comply with state law, with the possibility of reporting violations to the Attorney General and decertifying a local government's housing element. Counties should be aware of this additional legal remedy.

AB 1515 (Daly) specifies that a housing development project or emergency shelter is "deemed consistent, compliant, and in conformity" with an applicable plan, ordinance, or other similar provision if there is substantial evidence that would allow a reasonable person to conclude that the project is consistent, compliant, or in conformity. CSAC opposed the "deemed consistent" automatic approval, which goes too far and upends the accountability for local land use decision-making.

Counties should be aware of this new standard when determining whether a development proposal is consistent with local land use rules.

SB 35 (Wiener) would require local governments in jurisdictions where housing production for a particular income category has lagged behind the planned amount set forth in a local housing element to offer qualifying housing development projects a state-mandated process that bypasses discretionary review. Qualifying projects would have to be located in an urbanized area or urban cluster, meet specified thresholds for affordability, and be constructed by a skilled and trained workforce paid prevailing wages, among other requirements. Proposed projects are eligible for streamlined review if they are multi-family developments, include a certain percentage of affordable units, and are not located in a variety of potentially-sensitive environmental contexts.

Counties should review the bill closely to determine which geographic areas zoned for multifamily housing within the county's jurisdiction could be available for the streamlined process required by SB 35 at the developer's request and pending local housing production levels. Counties should also ensure timely submittal of annual housing element reports, which include information on housing production, to HCD, as these reports will be used to determine whether a local agency must offer the streamlined development process. Failure to submit a report will result in a requirement to offer the streamlined process for all eligible multifamily housing projects in any income category. CSAC expects HCD to issue implementing guidelines for SB 35. We will keep counties apprised of any such guidance and provide input on behalf of counties.

SB 166 (Skinner) and AB 678 (Bocanegra) are identical bills that make major changes to the Housing Accountability Act (HAA), including changing the standard of review, in the event of a legal challenge, from "substantial evidence" to "preponderance of the evidence". Counties should be aware of this change, which CSAC expects will be difficult to apply to land use law, when a housing development is denied or conditions are imposed that have the effect of lowering the density of the project.

Counties should be aware of new fine provisions as well as the ability for a judge to increase fines in jurisdictions where housing development has not kept pace with Regional Housing Needs Allocation goals. CSAC and our local government partners ensured that these bills retained the ability of cities and counties to cure a HAA violation before the new fines authorized for non-compliance are imposed.

New Local Planning and Analysis Requirements

AB 879 (Grayson) significantly expands requirements for local jurisdictions to analyze constraints on housing development, including requests to develop housing at lower densities than zoned and length of time to complete permitting, among other requirements. CSAC and other local government groups opposed this bill, which requires future housing element updates to analyze *any* ordinances that directly impact the cost and supply of residential development. Many ordinances could be determined to impact the cost of housing, including critical ordinances like utility infrastructure such as sewer and water connection fees not under the control of local governments; drought requirements; building and fire code requirements like fire sprinklers; lighting; fencing; and, road and other infrastructure improvements. Counties should be prepared to complete required analyses during upcoming housing element updates.

AB 1397 (Low) imposes additional restrictions on the ability of cities and counties to designate non-vacant sites as suitable for housing development and would require all designated sites to have water, sewer, and utilities available and accessible to support housing development. While the latter is an existing requirement, AB 1397 adds new requirements related to analyzing the availability of this infrastructure. Counties should prepare to incorporate this additional analysis when identifying adequate sites to accommodate affordable housing during the next housing element update.

SB 166 (Skinner) mandates that cities and counties implement a rolling adequate sites and rezoning requirement by income level, rather than total units. Although CSAC and local governments agreed that no jurisdiction should be left with only a few or no sites that can accommodate affordable housing by the end of the housing element planning period, the remedy of continuous rezonings is an extremely onerous requirement. Counties should be prepared to monitor development of non-affordable housing on housing element sites carefully and complete rezonings as needed.

New Tools for Local Government

AB 73 (Chiu) gives cities and counties a new option to encourage housing development by creating a housing sustainability district (HSD). Within an HSD, cities and counties would complete upfront zoning and environmental review, substantially speeding up development approvals, in order to receive incentive payments for development projects that are consistent with the HSD's ordinance. Counties interested in creating a HSD should be aware of several limitations, including requirements for housing to be built by a skilled and trained workforce paid prevailing wages, and a requirement for local governments to repay any state "zoning incentive payment" received by the county if private development does not meet projected goals.

AB 1505 (Bloom) clarifies the Legislature's intent to supersede the holding in the *Palmer/Sixth Street Properties L.P. v. City of Los Angeles* decision, to the extent that the decision conflicts with a local jurisdiction's authority to impose inclusionary housing ordinances on rental projects. As inclusionary requirements are one of the few options cities and counties have to increase affordable rental housing, this is an important clarification. The bill includes new requirements for certain cities or counties that elect to impose an inclusionary requirement exceeding fifteen percent of residential units to complete an economic feasibility analysis of the ordinance, which is subject to review by HCD. New ordinances are also required to include an alternative means of complying, including, but not limited to, in-lieu fees, land dedication, off-site construction, or acquisition and rehabilitation of existing units.

AB 1568 (Bloom) establishes the Neighborhood Infill and Transit Improvements (NIFTI) Act in Enhanced Infrastructure Financing Districts (EIFD) law. It allows EIFDs to receive sales and use and transaction and use taxes to finance affordable housing, and the infrastructure to serve that housing, in infill areas, as agreeable to parties involved. While there are geographic limitations on the availability of this new tool, counties with relatively dense, urbanized areas should examine AB 1568 to determine whether this additional fiscal tool could help support the development of affordable housing units and necessary supporting infrastructure.

SB 540 (Roth) streamlines the housing approval process by authorizing a city or county to establish a Workforce Housing Opportunity Zone (WHOZ) by preparing an EIR and by adopting a specific plan. Once a WHOZ is established, and for five years thereafter, the bill will substantially streamline development and provide certainty for developers by requiring approval of eligible housing developments within a WHOZ within 60 days without requiring the preparation of an EIR or negative declaration under CEQA. Requires at least thirty percent of total housing units within a WHOZ to be affordable to persons or families at or below moderate income. Counties interested in creating a WHOZ are eligible to apply for funding or a loan from the Department of Housing and Community Development to defray planning costs. Counties should be aware of prevailing wage requirements for development constructed pursuant to the tiered environmental review available within the WHOZ.

Attachment Two
Housing Funding Bills Summary



CSAC Analysis of Key Affordable Housing Package Funding Bills

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SB 2 (Atkins) – Building Homes and Jobs Act

Major Provisions

- Would establish a permanent source of funding for affordable housing in the form of a \$75 per document (up to \$225 per transaction) recording fee that would take effect January 1, 2018.
- The fee is expected to generate approximately \$225 million annually for affordable housing programs.
- In consultation with stakeholders, the Department of Housing and Community Development (HCD) may adopt guidelines to implement the measure, including a methodology for allocation of funds.

Allocation of Funds

- Funds collection in calendar year 2018 shall be shared equally between the state and locals.
 - Fifty percent of the funds (approximately \$112.5 million) will be made available to local governments to update planning documents and zoning ordinances in order to streamline housing production, including, but not limited to, general plans, community plans, specific plans, sustainable communities strategies, and local costal plans. Also eligible are CEQA reviews that eliminate the need for project specific review and expedite local permitting.
 - Five percent of the local funding is set aside for technical assistance in updating planning documents provided by the Governor’s Office of Planning and Research.
 - Forty-five percent of the fifty percent will be held by the Department of Housing and Community Development (HCD) until a local government submits a request for use of the funds.
 - The request must include a description of the proposed use of funds in the interest of accelerating housing production.
 - The local agency must have an approved housing element, submit a current annual housing element report as well as an annual report that provides ongoing tracking of the uses and expenditures of any SB 2 allocated funds to HCD.
 - Fifty percent of the revenues (approximately \$112.5 million) are for HCD to assist persons experiencing, or are at risk of, homelessness. This includes rapid rehousing, rental assistance, navigation centers, and new construction, rehabilitation, and preservation of permanent and transitional rental housing.
 - HCD must ensure geographic equity in the distribution and expenditure of funds.
- Funds collected in calendar years 2019 and beyond will be allocated seventy percent (approx.. \$157.5 million) to locals and thirty percent to the state (approx. \$67.5 million).
 - The seventy percent for local governments is allocated as follows:

- Fifteen percent shall be continuously appropriated to the California Housing Finance Agency for the purpose of creating mixed income multifamily residential housing for low and moderate income households.
- Ten percent to be appropriated by the Legislature to be used to address affordable homeownership and rental housing opportunities for agricultural workers and their families
- Five percent to be appropriated by the Legislature to be used for state incentive programs, including loans and grants administered by HCD.

SB 3 (Beall) – the Veterans and Affordable Housing Bond Act of 2018

- Would place on the November 2018 general election ballot a \$4 billion general obligation bond for affordable housing and veterans’ home loan assistance programs.
- Counties are eligible to apply for various programs valued at \$3 billion, including:
 - \$1.5 billion to the Multifamily Housing Program
 - Assist the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households.
 - \$300 million to the Infill Infrastructure Grant Program
 - For Qualifying Infill Projects and large multi-phased Qualifying Infill Projects.
 - \$300 million to the Joe Serna Jr. Farmworker Housing Fund
 - Finance the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households.
 - \$300 million to Local Housing Trust Fund Matching Grant Program
 - Fund competitive grants or loans to local housing trust funds that develop, own, lend, or invest in affordable housing and used to create pilot programs to demonstrate innovative, cost-saving approaches to creating or preserving affordable housing.
 - \$300 million to the CalHome/Self Help Housing
 - Enable low- and very low-income households to become or remain homeowners.
 - \$150 million to the Transit Oriented Development Implementation Fund
 - Low-interest loans are available as gap financing for rental housing developments that include affordable units, and as mortgage assistance for homeownership developments. Grants are available to cities, counties, and transit agencies for infrastructure improvements necessary for the development of specified housing developments, or to facilitate connections between these developments and the transit station.
- The bond would also fund the CalVet Home Loan program, which Assists veterans in purchasing homes and farms. SB 3 provides \$1 billion in tax-exempt veteran’s bonds that are repaid by CalVet loan holders through the payment of principal and interest on their loans.

Attachment Three
Housing, Land Use and Transportation Committee
Proposed 2018 Work Plan



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To: CSAC Housing, Land Use, and Transportation Policy Committee

From: Kiana Valentine, CSAC Senior Legislative Representative
Chris Lee, CSAC Senior Legislative Analyst

Date: November 13, 2017

Re: **Housing, Land Use, and Transportation 2017 Year in Review and 2018 Legislative Priorities**

The 2017-18 legislative session presented many high-priority bills with significant impacts to counties. In this memo, please find a review of 2017 highlights as well as priorities for the coming 2018 session.

I. Protect Transportation Funding

The Legislature and Governor enacted the Road Repair and Accountability Act (SB 1) in April 2017 – a long-sought robust, multi-modal, and comprehensive transportation fund package. SB 1 is expected to generate approximately \$5.2 billion annually for state highways, local streets and roads, bridges, transit, goods movement, and active transportation infrastructure. Counties and cities will equally share \$1.5 billion annually for maintenance, rehabilitation, and safety improvements to local roads. SB 1 also allows local governments to access competitive funding programs for active transportation, planning, and congestion relief. Importantly, the transportation package included significant transparency and accountability provisions to ensure the public is fully aware of the many projects and benefits to their community from the new revenues and to ensure that revenues are dedicated exclusively to transportation purposes.

Unfortunately, SB 1 is the target of at least two repeal attempts. CSAC, along with the Fix Our Roads Coalition, is advocating for repeal proponents to abandon their efforts and have demonstrated that early polling on the repeal isn't popular. . Given how critical this funding is to counties in order to maintain and improve the local transportation network, protecting SB 1 is a top priority for the HLT Policy Unit and the Association as a whole.

The Fixing America's Surface Transportation Act (FAST Act) ensured solvency of the Highway Trust Fund (HTF) through 2020. However, the federal gas tax has lost its purchasing power since it was last increased in 1993. CSAC will continue to educate the California congressional delegation and Administration on the importance of the county road system with respect to federal transportation policy. CSAC will advocate for new federal revenues to ensure that programs of importance to counties, such as safety and bridge projects, are adequately funded. Additionally, the Trump Administration continues to state an infrastructure funding package outside the traditional surface transportation authorizations if forthcoming. CSAC, in partnership with NACo, is advocating for direct subventions for counties under any deal in order to address the significant infrastructure issues on the federal-aid system, including locally owned bridges and safety needs.

II. Support Development of Affordable Housing

The Legislature and Governor also achieved success on another long-standing priority for CSAC – a permanent source of funding for affordable housing. SB 2 (Atkins) levies a \$75 recorded document fee effective January 1, 2018. Expected to generate between \$225 and \$260 million annually, counties and cities will receive fifty-percent of the revenues in the first year for planning efforts that support affordable housing such as updates to general plans and the creation of specific plans. In year two and beyond, counties and cities will receive seventy-percent for the creation of affordable housing.

In 2018, CSAC will focus on efforts in the housing arena on implementation of SB 2 as well as a number of policy measures that were also passed alongside the funding measures in the housing package. Counties will have a number of new planning mandates to comply with in the new year. CSAC staff will work with counties to ensure smooth implementation and identify any issues that may need further clarification.

III. Cap and Trade Implementation

With the extension of AB 32, the California Global Warming Solutions Act of 2006, through 2030, the California Air Resources Board (CARB) is currently in the middle of a second update to the Scoping Plan to reflect the new greenhouse gas emissions targets (GHGs) targets (reducing our GHGs to at least 40% below the 1990 level by 2030). CSAC HLT staff will work in coordination with the CSAC Agriculture, Environment, and Natural Resources Policy Committee staff to comment on and participate in the Scoping Plan update process. Early draft documents suggest that the Administration continues to focus on unfunded mandates, so CSAC must be vigilant in ensuring needed resources for transportation and housing to meet our statewide climate goals.

CSAC HLT staff will also monitor and defend against efforts to erode local control over land use decisions in a variety of contexts. There appears to be growing dissatisfaction in the Legislature and Administration over the implementation of SB 375; specifically the transportation, housing and land use decisions local agencies are making and the perceived impacts those decisions have on statewide climate goals. It is important to get out in front of some of these conversations with proactive, positive information about the land use decisions counties are making that help meet our climate goals and are consistent with sustainable communities strategies and other local climate action plans.

IV. Native American Affairs

The Governor renegotiated, and the Legislature ratified, a number of Tribal-State Gaming Compacts in 2017, all of which include key provisions of importance to counties. CSAC's priorities for the revised, compacts include requiring judicially enforceable local mitigation agreements for any new or expanded gaming or related facilities, a more comprehensive tribal environmental review process, and ensuring robust mitigation mechanisms for preexisting local off-reservation impacts from gaming enterprises underway prior to the date of any new compact. With 44 1999/2000 compacts still set to expire in 2020, CSAC staff will continue to use the

results of our 2014 tribal gaming survey to influence the renegotiation of the remainder of 1999/2000 Compacts.

The Special Distribution Fund (SDF), the sole mechanism for mitigation of local impacts under the 1999 compacts, is insolvent. Counties have not received funding for SDF grants to local governments since FY 2014-15. The Legislature and Governor have been unwilling to backfill the account while 1999 Compacts are being renegotiated. While SDF grants have been insufficient to mitigate all local impacts since the program's inception, CSAC will continue to look for opportunities to fund the SDF or another mechanism to fund mitigation. Unfortunately, we anticipate continued reluctance to doing so until all 1999 Compacts have been renegotiated.

CSAC will continue to push for fee-to-trust reform at the federal level as well as participate in the regulatory process on federal acknowledgement as we want the process to remain open to meaningful input and outreach to counties. CSAC will continue to oppose any fix to the *Carcieri* decision without comprehensive fee-to-trust reforms.