



Memorandum

To: City Council

Date: February 4, 2019

From: Vice Mayor Emily Beach

Subject: Committee Report

Thursday, 1/17/19: League of California Cities Conf. and Environmental Quality Policy Committee Meeting, Sacramento – see highlights/notes at end of this report

Tuesday, 1/22 City Council Meeting

Wednesday, 1/23 Meeting with Silicon Valley Bicycle Coalition Director of Policy and Advocacy

Discussion included:

- Burlingame Roundabout and bike/ped impact
- Dockless bikeshare RFP best practices (I forwarded info to staff)
- Measure W implementation strategy at SMCTA

Wednesday, 1/23 San Mateo County Convention and Visitors Bureau annual awards luncheon

Thursday, 1/24/19 San Mateo County Home for All Convening

- Reporting best practices of the pilot programs
- Kevin Gardiner represented Burlingame and did a great job explaining our outreach efforts during our two Burlingame Talks Together About Housing meetings

Thursday, 1/24/19 PHCD Monthly Board Meeting, Burlingame City Hall

- About 12 members of the public advocated for affordable housing
- Board member suggested there may be obstacles in their Health Care District charter which make housing (including BMR housing) difficult on their public land. Need to follow-up to understand this. Suggestion conflicts with MTC presentation about unlocking public land for housing.

Friday, 1/25/19 US 101 Managed Lane Subcommittee Meeting, San Carlos

- Joint SMCTA and C/CAG subcommittee worked through impasse and coalesced around San Mateo ownership with BAIFA/MTC as operator. This is a positive outcome. Next meeting on 1/31 to discuss joint SMCTA/C/CAG ownership model.

Friday, 1/25/19 San Mateo County Homeless Count training

Friday, 1/25/19 Council of Cities Dinner, Burlingame: thanks to Mayor Colson for coordinating an inspiring program with the Parkland kids about gun violence prevention!

Saturday, 1/26/19 City Council Annual Goals Session

Saturday, 1/26/19 BHS panel with Parkland kids about gun violence prevention

Wednesday, 1/30/19, Climate Collaborative hosted by San Mateo County

- Official launch of Climate Collaborative with stakeholders from many different sectors/industries
- Holistic discussion regarding impact of climate change (including sea level rise, flooding, fires, extreme heat and cold, erosion, food supply, air quality)
- Visualizing risk helps develop tools to mitigate
- Future action will cost 4-10x more expensive than taking preventative actions to mitigate risk
- County-wide maps/vulnerability analysis underway
- County-wide adaptation tool-kit underway (how to plan and build for future, including policy templates for local city's climate action plans, transportation plans, and other local planning documents.)
- County will sponsor local planning pilot programs with systems approach to solutions – shared knowledge and benefits (rather than efforts by individual cities)
- Interesting discussion, minimal call to action

Wednesday, 1/30/19, League of California Cities Casa Compact luncheon with guest speakers from MTC and ABAG staff

- Much concern about components of the Compact and process how it was developed. Cities need to stay engaged as legislation inspired by the Compact takes shape this year.

League of California Cities – Policy Committee Meeting and Conference Notes

League of California Cities (our premier advocate / lobbying organization for common interests of California Cities) will play a critically important role during this legislative cycle, which promises to be a very bold one.

Generally, a positive reception for Governor's proposed budget – which includes meaningful funding for affordable housing, education, healthcare. League staff suggested it is a fairly responsible budget, primarily due to California's current fiscal strength and nearly optimum budget climate. Budget also anticipates moderate (4-5%) growth in state reserves over the next few years.

Significant concerns by League about housing production legislation include:

- reduced local land use authority (legislators telling cities how we should build – one size fits all approach, no regard for big vs. small cities)
- proposed limits on cities' control over their own developer fees (possible caps, standardization of fee schedules state-wide, which prevent cities from valuing different community benefits (some cities need/desire infrastructure fees, others need affordable housing fees, others choose parks fees, school fees, public art fees, etc.) Concern by League that reduction of fees means reduction of public services -- and more dollars for real estate investors.

- Possible allocation of transportation funds linked to housing creation (possibility even SB1 formula funds may be under attack.)
- increasing RHNA numbers

League encourages cities to stay engaged and actively respond to legislative developments by sending time-sensitive letters to state representatives.

Overview of legislative landscape and California's economy:

Income inequality: average Californian is financially much worse off today than they were 10 years ago:

- state-wide wages for workers with a BA degree or higher are finally catching up to 2008 levels (today \$70k, 2008 = \$72k). When adjusted for inflation, Californians fall way behind. (today \$70k, 2008 adjusted for inflation should = \$89k)
- state-wide wages for workers without a BA degree are falling farther behind income levels ten years ago (\$40k in 2008, \$33k today – adjusted for inflation, even worse)
- State-wide current housing unit production = 125,000 units/year
- State-wide housing production during the peak of housing boom: up to 200,000 units/year
- Currently, there are 450,000 approved housing units in the state-wide pipeline, however, construction market conditions/economy has slowed down. Current projections suggest it will take five years to bring those 450,000 units to market.
- League suggests additional higher RHNA targets may not actually bring more units to market – other factors at play
- Land use bills only require simple majority vote in a Supermajority legislature – lots of action likely to happen this year
- League encourages member cities to think about what are we willing to give up in order to be taken seriously at negotiating table
- League poised to oppose divesting CalPers investments
- Governor proposed significant new funding for disaster response (\$25m)
- Cap and Trade funds: grant funds are zeroed out this year, \$400m less investment likely this year – this is of concern

Environmental Quality Policy Committee highlights

- Committee deliberated and set areas of focus this year:
 - Storm water quality and water supply
 - Recycling markets / waste diversion and re-use
 - Energy
- Received a presentation from California Department of Conservation about the Transformative Climate Communities Program
- Received presentation from Institute for Local Government who encouraged cities to become part of the Beacon Program.
- Our policy committee's anti-coagulant resolution (pesticides) passed back in September helped the National League lobby and pull pre-emption out of Federal Farm Bill.

Budget Seminar Highlights

- Sales Tax observations, state-wide: When adjusted for inflation and population growth, sales tax receipts are not growing/trending higher in California. Driven by:
 - Changes in digital/retail landscape
 - Structure of taxation (tangible goods vs. services)
- Likely debate in the coming year about reducing sales tax rates and instead taxing services to create new revenue streams
- Some cities find it more effective to work on 2-year budget cycles, anchored in 5-year forecasts
- Fees related to use of government property may be set at market rate – don't have to be cost justified. (i.e. land lease, parking)

Emergency Preparedness Seminar

- League suggested importance of press conference training for Councilmembers / Mayors
- During emergency, best place for Council Members could be City Hall rather than EOC
- Radio communications critically important among key leaders when wireless service and phone lines down; consider radios for emergencies
- Importance of coordinating public statements with PIO (public information officer)
- FEMA has emergency management institute training for elected officials

CASA Compact – informal Bay Area (9 county) breakfast discussion – major themes, comments from city representatives:

- Concerned one size fits all approach to land use
- May not acknowledge housing units already built
- Concern skipping over CEQA
- Concern for infrastructure capacity
- Vagueness is troublesome
- No smaller cities represented during the process, only mayors SF, OAK, SJC. Committee was formed at staff level (neither Brown Act governed, nor publicly noticed meetings)
- Local jurisdictions concerned about bearing the funding burden
- Cities potentially required to give up 20% of property tax to MTC, with kick-back to the cities based on housing production
- Misconstrued as overwhelming support by MTC, ABAG, and Bay Area leaders
- Concern about vacant housing tax
- Some cities without business tax base expressed desire to build jobs where housing is, rather than other way around
- Concerned business taxes to fund Casa Compact will never materialize because lobbyists will prevent; meanwhile cities may be required to fund the budget shortfall for this ambitious initiative
- Small and medium size cities need to engage with their representatives, and through the League

League of California Cities' Summary and Analysis of Gov. Newsom's Housing-Related Budget Proposals

Funding for affordable housing has been in a significant decline over the past few decades, which have played a major role in the state's current affordable housing shortage. A reduction in federal affordable housing assistance, a lack of state bond funding and the eradication of redevelopment — the largest source of affordable housing funding — have contributed to this statewide issue, and our local city officials are experiencing firsthand the burden imposed on California's residents and communities due to this housing affordability crisis.

The League continues its commitment to advocate for additional housing funding on behalf of all of California cities. Last year, the League served on the steering committee of the winning campaigns to pass Propositions 1 and 2, which provide \$6 billion in much-needed funding to build housing for veterans, working families and those experiencing homelessness or at risk of becoming homeless. The League also lobbied in support of \$500 million in FY 2018-19 for homelessness programs, supported cap and trade allocations that provide funding for affordable housing, and helped secure funding for updated local planning, homeless assistance and affordable housing through the passage of SB 2 (Atkins 2017).

On Jan. 10, Gov. Newsom unveiled his FY 2019-20 budget proposal. In addition to increases in funding for housing and homelessness grants, the Governor proposes taking away transportation funding from cities that fail to meet state housing goals, which poses a significant concern to the League. This document can serve as a resource that outlines the Governor's proposals while also providing talking points for meetings with the state legislators.

Gov. Newsom's Housing-Related Budget Proposals:

Affordable Housing Funding:

- \$500 million in affordable housing tax credits (ongoing);
- \$500 million for multifamily moderate-income housing; and
- Accelerate expenditures of Prop. 1 & 2 funding.

Homeless Funding and Assistance

- \$500 million for emergency homeless funding for cities and counties;
- \$25 million to assist homeless individuals in accessing federal disability funds;
- \$100 million for county "whole person care" programs;
- \$50 million for expanded mental health training;
- CEQA streamlining for homeless shelters (similar to sports stadiums); and
- Allow California Department of Transportation right of way and airspace to be used for building homeless shelters.

Effort to Increase State Oversight and Control of Local Governments

- Direct HCD to adopt increased short-term higher housing production goals, distribute goals to local agencies and allow oversight and enforcement action against local agencies as needed;
- Allow the state to take transportation funds if housing production is lower than RHNA goals;
- Offer \$500 million in incentive grants to local agencies that meet unspecified milestones associated with enhanced planning and increased housing production; and
- Potential task force or ballot initiative to address local housing development impact fees.

Building Housing on State Property, EIFD's

- Allow housing to be built on excess state property with low-cost ground leases without local review and approval; and
- Remove 55% vote requirement when Enhanced Infrastructure Finance Districts (EIFD's) issue bonds and improve coordination with federal Opportunity Zone incentives.

2019 Housing Talking Points

California's Cities Need Additional Affordable Housing Resources

- City officials are acutely aware of the severity of California's housing supply and affordability crisis and how it impacts our communities.
- We support the Governor and Legislature's goals of building more housing, and recognize the vitally important role cities play in the planning and approval of new housing.
- Increased and ongoing funding for affordable housing is critical to stabilize the state's housing development and construction marketplace.
- The state needs to accelerate the allocation of funds shored up in the recently passed Prop. 1 housing bond, Prop. 2 homeless housing funds, and SB 2 planning funds.

The Governor's Budget Proposal has Opportunities for Collaboration but also Cause for Concerns for California's Cities

- We appreciate the Governor's proposal to increase funds for affordable housing tax credits, affordable and workforce housing and to address the growing homelessness and mental health crisis in our state.
- California's cities have significant concerns with proposals that tie transportation funding to state housing production goals, since developers make decisions based on market conditions, not state goals.

State Proposes Top-Down Planning for Housing

- Cities have an obligation to ensure we're planning for the housing our communities need.
- Throughout the state, cities have planned and approved hundreds of thousands of units and more than 90 percent of all cities have approved state housing elements that the private sector has not developed.
- Over the past two years, more than 30 housing and land use bills have been signed into law that impact local government and are just now beginning to be implemented.

Local Governments Cannot Control Macro-Economic Conditions

- There are many market factors affecting the construction of housing beyond the control of local government. While the economy rebounded strongly in the Bay Area — apartment construction is at its highest level in 27 years — the economic reality is different in other regions.
- The nonpartisan Legislative Analyst's Office's November report predicted housing production will flatten due to developers pulling back in the face of a cooling market.
- A 2018 Construction Industry Research Board report listed projects up and down the state that have approvals for over 450,000 units but they will not be built for years.
- Local governments should not be held accountable for housing production, as cities don't build homes and have little control over market conditions.
- Cities look forward to collaborating with the state on finding solutions to the state's housing issues, as we share the mutual goals of improving California communities and enhancing the quality of life of all residents.

AB 11 (Chiu) Community Redevelopment Law of 2019

Key Elements

- Annual unspecified state commitment: At the discretion of the State Controller.
- Opt-in: No taxing entities are forced to participate.
- Schools will be made whole. No impact to Prop 98.
- Creates an economic development tool with similar powers as the old redevelopment agencies.
- Extensive upfront planning and costs required before a city or county can form an agency and receive project funding from the state.

Overview:

- AB 11 allows a city or county, or two or more cities acting jointly, to form an Affordable Housing and Infrastructure Agency to fund projects such as infrastructure and affordable housing projects. 30% of tax increment must be deposited into low/moderate income housing fund. This bill includes enforcement provisions/fines regarding failure to timely use money for housing. The new agency can use an affected taxing entity's share of the property tax (special district etc.) if the affected taxing entity consents.

The Board of an Agency:

- One member appointed by the legislative body or the legislative bodies that adopted the resolution of intention.
- One member appointed by each affected taxing entity.
- Two public members, appointed by the board. These members cannot be an elected official or employee of any affected taxing entity.

Affordable Housing and Infrastructure Agencies must:

- Create a resolution of intention, which includes a preliminary project plan along with an extensive amount of other required actions and analysis before the Strategic Growth Council (SGC) may approve agency formation.
- An agency may not be formed if it will result in a negative state fiscal impact, to be determined by the State Controller, and must promote statewide greenhouse gas reduction goals.
- The SCG shall ensure that the projects proposed in the resolution of intention equitably represent rural, suburban, and urban communities, and that establishing the agency would not result in an inequitable geographic distribution of agencies throughout the state.
- Maintain detailed records of every action taken by that agency for a specified period of time.
- Submit an annual report and a final report of any audit undertaken by any other local, state, or federal government entity, to its governing body and to the State Controller and the Department of Housing and Community Development.
- Contract for an independent financial and performance audit every 2 years after the issuance of debt.
- Report the total number of housing units the agency assisted in creating or maintained.

Pros:

- Opt-in program that allows the state to reinvest in affordable housing and infrastructure; brings back a significant amount of flexibility, similar to redevelopment agencies; 30% of the funds must be spent on affordable housing.

Cons:

- Extensive upfront planning and analysis prior to agency approval and state funds being awarded; allows affected taxing entities that do not contribute property tax to have a seat on the governing board and oversee the creation of the redevelopment project plan; unspecified amount of state funding available to cities.

SB 5 (Beall) Local-State Sustainable Investment Incentive Program

Key Elements

- Up to \$2 billion annually. Can be suspended when the Legislature uses the “Raining Day Fund.”
- Opt-in: No taxing entities are forced to participate.
- Schools will be made whole. No impact to Prop 98.
- Rural city/county set aside.
- Prevailing wage and skilled and trained workforce requirements.
- Strong state oversight.

Overview:

- The Program creates a local-state partnership to reduce poverty and advance other state priorities financed, in part, by property tax increment. A city, county, or JPA, that has a financial commitment to a project, is eligible for a portion of the school share of property tax if the project contains one or more of the following:
 - Housing development plans that propose construction of workforce and affordable housing, and support the construction of housing for all-income ranges consistent with adopted housing elements. 50% of the funds provided shall be used to construct workforce and affordable housing.
 - Transit-oriented development in priority locations that maximize density and transit use, and contribute to the reduction of vehicle miles traveled and greenhouse gas emissions.
 - Infill development and equity by rehabilitating, maintaining and improving existing infrastructure that supports infill development and appropriate reuse and redevelopment of previously developed, underutilized land that is presently served by transit, street, water, sewer, and other essential services, particularly in underserved areas, and to preserving cultural and historic resources.
 - Promoting strong neighborhoods through supporting of local community planning and engagement efforts to revitalize and restore neighborhoods, including repairing infrastructure and parks, rehabilitating and building housing, promoting public-private partnerships, supporting small businesses and job growth for affected residents.
- 20% of the overall funding for the program shall be set aside for counties with populations of less than 200,000.

State Oversight:

- Creates the Sustainable Investment Incentive Committee which shall be comprised of the following:
 - The Chair of the Strategic Growth Council.
 - The Chair of the State Infrastructure and Economic Development Bank.
 - The Chair of California Workforce Investment Board.
 - Director of the California Housing and Community Development Department.
 - Two people appointed by the Speaker of the Assembly.
 - Two people appointed by the Senate Rules Committee.
 - One public member appointed by the Governor that has a background in land use planning, local government, or community development or revitalization.
- The Committee shall review and approve or disapprove proposed projects.
- Each applicant that has received financing pursuant to the program for any fiscal year shall provide a report to the Committee. The Committee shall also provide an annual report to the Joint Legislative Budget Committee.

Pros:

- Up to \$2 billion state investment in affordable housing and infrastructure; 50% of the funds are required to be spent on affordable housing; relies on post redevelopment tools; allows wide-range of agency participation;

Cons:

- Less flexibility than redevelopment agencies; less resources available for economic development;