

**HOUSING, COMMUNITY & ECONOMIC DEVELOPMENT
POLICY COMMITTEE
HIGHLIGHTS**

Thursday, June 16, 2011

Sacramento Convention Center, 1400 J Street, Room 204, Sacramento

ATTENDANCE

Members: Pierce, Barbara (Chair); Nassif, Scott (V. Chair); Bryant, Ronit; Casey, Raymond; Conneran, Michael; Fong, Rob; Frutche, Thomas; Gastil, George; Glancy, Tom; Guisasola, Pete; Hanin, Scott; Hardy, Ingrid; Johnson, Ken; Jones, Steven; Kennedy, Janet; Kiesel, Art; Krider, Jim; Magsig, Nathan; McAllister, Doug; McCullough, Kathryn; Morehouse, Carl; Natarajan, Anu; Pontau, Donna; Schultz, Robert; Seamans, Susan; Silva, Cindy; Singer, Dan; Stephens, Patricia; Strong, Fred; Swanson, Rochelle; Udemezue, Uche; Vail, Eric

League Partners: Aleshire, David, Aleshire & Wyndner

Staff: Kirstin Kolpitcke, Jennifer Whiting, Dan Carrigg, and Emily Cole

i. Special Order of Business – Joint Budget and Redevelopment Update

The Housing, Economic and Community Development, Public Safety, Community Services, and Employee Relations Policy Committees came together for a joint briefing on major issues of the budget. Chris McKenzie, the League's Executive Director, provided a summary of the actions of the Legislature, which had passed a budget package the day prior to the meeting which included a two-bill "redevelopment elimination" package. Upon passage of the package, the League and California Redevelopment Association began developing legal documents to challenge the validity of the package. He also noted that there were rumors circulating that the Governor would veto the main budget bill (which Governor Brown did in the middle of the briefing). Dan Carrigg, the League's Legislative Director, followed by providing some details on the remaining budget trailer bills. Committee members were provided with a list of all budget trailer bills as well as a document outlining some of the legal problems with the redevelopment elimination.

Dorothy Holzem, League staff, updated the committee members on public safety funding and policy issues. This included two trailer bills that both seek to increase state revenues through fee assessment. The first, ABx1 22, would increase vehicle registration fees by \$12 to backfill Department of Motor Vehicle administrative costs with approximately \$300 million going back to the 2011 Local Revenue Fund for cities and counties. While not explicit in the bill, these monies could possibly be used to fund COPS programs and booking fee subventions, along with other soon-to-expire county law enforcement grants. The second fee bill, ABx1 29, establishes an annual \$150 fee for structures for fire protection in state responsibility areas. Notably, the Governor's priority public safety issues were not included in the budget trailer bill package, including either a temporary or longer-term tax extension to fund the state-local corrections realignment plan. The realignment plan is at the center of achieving state prison inmate population reduction goals now required under the recent U.S. Supreme Court's ruling against the state.

Natasha Karl updated the group on the latest on pension reform. She indicated that with the governor's veto of the budget we'll likely see talks between republicans and the governor's office heat up on this issue. There are two League resources that can be found in the League's Pension

Information Center that may be helpful to members including a comparison of the Governor's 12-Point Pension Reform Plan and the Senate Republican's Demands (http://www.cacities.org/resource_files/29685.PensionsGovs12pointplanvsrepublicanplan4.11.pdf) and a Background on Pension Reform (http://www.cacities.org/resource_files/29843.Pension%20Reform%20Background%20Document.pdf). The Employee Relations and Revenue and Taxation Committees were also expected to discuss the City Managers' Department Pension Reform Action Plan.

Jennifer Whiting, League staff, provided an overview of what is happening on the federal level, noting that federal programs are experiencing significant cuts and encouraging cities to provide specific examples when lobbying their federal representatives.

Following the budget and policy briefing, Dan Harrison, Director of Administrative Services, provided an update on League-sponsored services including California Communities, CalTRUST, and US Communities.

I. Welcome and Introductions

Chair Barbara Pierce welcomed the committee members and asked that they introduce themselves. The League has a new lobbyist for Land Use and Housing issues. Kirstin Kolpitcke joined the League in June and will staff the Housing, Community and Economic Development Policy Committee.

II. Public Comment

There was no public comment.

III. AB 46 (Perez) Local Government: cities

AB 46 proposes to disincorporate the City of Vernon by providing that every city with a population of less than 150 people as of January 1, 2010 would be disincorporated. The League of California Cities has to balance local control versus transparency and good government.

Representatives speaking on behalf of the bill from Speaker Perez' office included: Arnie Sowell (Policy Director), Frederika McGee (General Counsel), and Charles Lawler (staff person on the bill). The supporters state that the bill is not specific to Vernon and that the county can vote to continue the city. The author believes that Vernon's lack of an independent electorate, voter fraud, years without elections, no libraries, and no parks means the city cannot be reformed. Cities have been disincorporated in the past both by the Legislature and the LAFCo process. In addition, in order to form a city it takes 500 voters so this does fall within the Legislature's purview.

Speakers in opposition to the bill included: Mark Whitworth (Fire Chief) and Gene Erbin (Nielsen, Marksamer, Parrinello, Gross and Leoni LLP). Opposition state that the City of Vernon is exclusively industrial. It was created to promote business. 55,000 people work in the City of Vernon, earn money in the City of Vernon and spend their money in other communities. Disincorporation means a loss of \$4.6 billion and 11,000 jobs. Never has a city been forcibly disincorporated and the city believes it is unconstitutional based on Article II of the California Constitution. They have met with Speaker to get a list of things that needs fixing and have received nothing. Finally, the precedent this bill sets is bad. Vernon is a charter city and if the Legislature can do this to a charter city where does it stop?

The committee discussion followed and a response was that corruption should be dealt with by using the laws we have. The committee expressed concern that if this bill were to pass what

would keep the Legislature from disincorporating other cities. The lack of term limits doesn't equal corruption. This bill appears to be a big land grab and the Legislature wants to take control of Vernon like it did redevelopment. The size of a city should be irrelevant, because the remedy is the law. When you short-circuit the process, there are too many unintended consequences. Charter cities are different from general law cities. This bill sets a dangerous precedent to substitute the judgment of the voters who voted for a charter for that of the Legislature. There was a comment that if there is no check in the checks and balances scenario then maybe it is not possible to have good governance. Maybe size does matter. What if you can't have good governance if the size tends to mean corruption?

There was a motion and a second that the League of California Cities oppose AB 46. The motion passed unanimously.

IV. Legislative Update

1. AB 710 (Skinner) would also prohibit a city or county from requiring minimum parking standard greater than one parking space per 1,000square feet of nonresidential improvements and one parking space perunit of residential improvements for any new development project in transit intensive areas. There are some exemptions to the bill.

Questions from the committee asked what was the problem this bill is trying to resolve? Developers find parking is expensive and the author believes this bill help the environment because limiting parking limits driving. The committee expressed that this is an issue that should be solved at the local level. The committee also asked if there was an exemption for transportation facilities such as rail stations? There is no such exemption.

There was a motion and a second that the League of California Cities oppose AB 710. The motion passed unanimously.

2. AB 752 (Brownley) would require a local trustee of granted public trust lands, whose gross public trust revenues exceed \$250,000 prepare a sea level action plan for those lands by July 1, 2013.

The committee wanted to know what was the impetus for the bill? The State Controller is the sponsor who is also on the statewide climate action committee. Comments were that on some level, it is good planning because you shouldn't be in harm's way. However, the committee was not inclined to support because locals have plenty of other issues to address, it is an unfunded state mandate, the study called for in the bill is expensive, and this is something that locals are probably addressing in their general plan already.

There was a motion and a second that the League of California Cities oppose AB 752. The motion passed unanimously.

V. Update of Enterprise Zones Proposals

Speaker: Yolanda Bensen, California Association of Enterprise Zones in Action

There are 42 enterprise zones in California. It is a competitive process and locals have a say. Enterprise zones are tools at the local level to attract and retain businesses. The elimination of the Technology, Trade and Commerce Agency resulted in local governments being more creative.

AB 103 (Budget Committee) is the Governor's proposal on enterprise zones. This bill would have established a mandatory single sales factor for apportionment of corporate income tax across

the state, reformed enterprise zone laws, enacted a partial sales and use tax exemption for manufacturing equipment and expanded the jobs tax credit.

The Governor originally proposed eliminating enterprise zones in his January Budget. However, the proposal is considered a tax levy and requires a 2/3 vote. There is only one Senator that doesn't have an enterprise zone and only 11 Assembly Members that don't have an enterprise zone in their district. A useful web site for enterprise zones is www.jobsandsafecommunities.com. Enterprise zones create jobs, help impoverished communities, remove barriers to employment and infuse community investment. By the May Revise, it was apparent that Republicans would not support the elimination of enterprise zones. There was an effort to "reform" enterprise zones by V. Manual Perez (AB 231). None of the reforms in the bill were included in the Governor's May Revise. While reform can be positive how do you accomplish? Enterprise zones did not have the same data that redevelopment agencies were able to provide. They worked to find out how many jobs were created and retained by jurisdiction. While the outcome of AB 103 was uncertain, V. Manual Perez was the hero for enterprise zones and yet the Governor never sat down with him to discuss alternatives. In the end, AB 103 was never taken up with the other budget bills.

VI. Update from California Housing and Community Development

Speaker: Cathy Creswell, Acting Director

With the money from bond programs spent, there is a need for a sustainable source of money for transit oriented development. Whatever funding source we identify, there should be some earmarked to go directly to locals.

With the different administration there are some changes in priorities, there is no Business, Housing and Transportation secretary, and there is talk of a possible consolidation of agencies.

Housing and Community Development has had a long standing tradition of working with local governments. State agencies need to be a good partner with locals. We need to address homelessness and the interagency council was created at the state level to help address some of those issues. Housing and Community Development would like to restore the public's faith in government and has revised the housing element advisory committee.

There was a question from the committee on the turnaround time from Housing and Community Development on the approval of the housing element. The response was that the 90 or 60 day requirement has never been missed and in many cases is shorter. They can also work with local governments if there is a specific deadline.

There was a question about RHNA reform. The response was that reform was in the eyes of the beholder. SB 375 is here to stay. However, if there is an agreement on basic supplies of adequate housing and there is a different way to distribute housing, and the process is transparent, there is room for negotiation. There were also discussions on credit for SROs, change outs for mobile homes, rehabs for mobile homes, and affordable housing credit for mobile home units. Housing and Community Development said there were credits for most of these and was open to discussion about additional credit for others.

VII. Marijuana Regulation Working Group Report

The Marijuana Working Group met to discuss the growing challenge of regulating marijuana. The question was should and could the League of California Cities address the issue on more than just a public safety capacity. The working group met from mid-May until early June and reviewed 8 bills. The working group felt that local control was paramount. The revenue and other financial benefits from marijuana are secondary. In addition, the medicinal value of marijuana was mixed with statistics that less than 5% of marijuana is accounted for uses such as cancer and cataracts. The working group looked at residential indoor cultivation and the drain on energy and housing values. There was a statistic that 8% of the state's energy usage is from indoor cultivation of marijuana. The purpose of the working group was to look at the ramifications of regulation marijuana and not a value judgment. The legislation in the Capitol addresses both sides of the issue; some removed barriers and others added regulations.

There was discussion in the committee about the federal/state conflict and how cities can comply. The League of California Cities should have more information on how other cities are dealing with the issue through either a web page, twitter, facebook.

VIII. Next Meeting: This committee **WILL NOT** be meeting at the Annual Conference in San Francisco.