

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

Friday, January 20, 2012

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

**ATTENDANCE**

Members: Nassif, Scott (Chair); Gomez, Victor (V.Chair); Aluzri, Mahdi; Bruins, Jeannie; Buice, Eva; Casey, Raymond; Chamberlain, Debbie; Conneran, Michael; Foster, Rod; Glancy, Thomas; Hanin, Scott; Heusser, D-B; Hutchins, Donald; Johnson, Ken; Jones, Steve; Kellner, Madeline; Kennedy, Janet; Kennedy, Ariana; Magsig, Nathan; McAllister, Doug; McCullough, Kathryn; Morehouse, Carl; Murdock, Brett; Pierce, Barbara; Pontau, Donna; Rosa, Josh; Schultz, Robert; Seamans, Susan; Silva, Cindy; Silveira, Margaret; Smith, Thurston; Stephens, Patricia; Strong, Fred; Sturtevant, Brian; Udemezue, Uche; Vail, Eric; Westbrook, Tom; Wong, Gilbert

League Partners: Aeh, Ryan; Burdette, John

Staff: Kirstin Kolpitcke, Dan Carrigg, Betsy Strauss, Michael Coleman, Jennifer Whiting, and Jessica Stanfill

**I. Special Order of Business- State Budget and Redevelopment Briefing**

Prior to each committee meeting, city officials were provided a joint briefing on a variety of issues of statewide importance. League Executive Director Chris McKenzie and California Redevelopment Association Interim Director Jim Kennedy provided background and outlined next steps related to the looming redevelopment dissolution deadline and SB 659 (Padilla), which seeks to postpone the redevelopment dissolution deadline until April 15. City officials were also encouraged to join the Coalition for Jobs and Neighborhood Renewal ([http://www.cacities.org/resource\\_files/30419.SB659CoalitionList.pdf](http://www.cacities.org/resource_files/30419.SB659CoalitionList.pdf)). McKenzie also updated committee members on the status the League's lawsuit regarding the sweep of \$130 million dollars in constitutionally protected vehicle license fees through SB 89.

League Fiscal Policy Advisor Michael Coleman provided a summary of the Gov. Jerry Brown's proposed FY 2012-13 Budget (<http://www.californiacityfinance.com/PolicyComm120118p.pdf>), while League Legislative Representative Jennifer Whiting gave an overview of federal issues ([http://www.cacities.org/resource\\_files/30433.FederalUpdate1-19-12.pdf](http://www.cacities.org/resource_files/30433.FederalUpdate1-19-12.pdf)) including FY 2013 appropriations, the eighth reauthorization of SAFETEA-LU, and efforts to limit local taxation authority over mobile phones.

Following the general briefing each committee met to discuss items on their respective agendas.

**II. Welcome and Introductions**

Chair Scott Nassif welcomed the committee members and asked that they introduce themselves.

**III. Public Comment**

There was no public comment.

**IV. Overview of Parliamentary Procedures**

The Chair went over some of the basic parliamentary procedures with the committee including that the policy committee will make recommendations to the League's board and the board will act on the decisions from the policy committee.

**V. Committee Orientation**

The Chair went over how the committee would operate.

**VI. State Budget Update**

**1. Redevelopment Questions**

Betsy Strauss, Special Counsel to the League and Dan Carrigg, Legislative Director to the League came in to answer questions from the committee on redevelopment. Some of the questions and comments included:

Q. The redevelopment tool has been taken away from us but we still have the affordable housing mandate. Are there other tools we can develop?

A. We will be looking at new tools but it is difficult because there is a lack of trust between us and the Legislature that ended a 70-year program. Any tool the Legislature can develop, they can end.

Q. Where does our policy committee fit in the redevelopment process?

A. If we make it past the February 1 deadline, task forces will need to be put together.

Q. Can the Legislature dissolve a city the way they dissolved redevelopment?

A. There is a difference of legal opinion, but the people need to be involved with a vote regardless if it is a general law or charter city.

Q. If redevelopment agencies are dissolved on February 1 and the Legislature creates something new, how do we get the assets and staff back?

A. We can't get it back after February 1. How do you put Humpty Dumpty back together again after he fell off the wall?

Q. Will the League be looking at Infrastructure Finance Districts (IFDs)?

A. IFDs haven't really been used in the past because of the vote requirements. In addition, IFD bills introduced last year were done at the same time redevelopment was being eliminated as the "alternative" to redevelopment so the League did not take a position on IFD bills last year.

**2. Housing Element**

Betsy Strauss, Special Counsel to the League spoke to the committee about the \$1 million budget cut that the State's Department of Housing and Community Development (HCD) received in last year's budget to review housing elements. The League, along with other interested parties put together a proposal to change HCD's review because we believe that there is too much review by HCD outside their scope of legislative authority. There is a potential to save money by adhering closely to the statute with regards to the use of vacant sites, analysis of nonvacant sites and Mullin densities. The most recent response from HCD was a proposal to revise guidelines, possibly review in more limited areas,

such as cities found to be in substantial compliance in the last round. The League thinks that the guidelines are problematic and that there should be a strict adherence to the codes so that they can be tightly controlled. While the League is still in the process of submitting a formal response, some of Betsy's concerns with HCD's proposal are that SB 375 is now the law and housing should follow the Sustainable Communities Strategy, that there should be a more integrated approach with the Governor's Office of Planning and Research and the California Housing Finance Agency (CalHFA), and some of the core issues in our proposal should be addressed. At the request of the committee, Betsy has made her presentation available to the committee and is now included as **Attachment A**.

## **VII. State Legislative Update**

### **1. AB 710 (Skinner)**

Last year, AB 710 was introduced, which would have required cities to comply with mandatory parking requirements for transit intensive areas. The bill was narrowly defeated after the League opposed the legislation. Because the sponsors have vowed to bring this bill back in the 2012 legislative session, the League wanted to gauge the interest of the committee on creating a subcommittee to explore possible compromises or alternatives to the bill and then have the suggestions brought back to the policy committee.

The discussion that followed included arguments on both sides. Those that wanted to continue opposing AB 710 without any negotiations stated that different types of projects have different parking needs and cities need flexibility, both of which cannot be accomplished with AB 710. Those that sought a compromise were concerned AB 710 could realistically pass next year and not coming up with alternatives could leave cities stuck with the horrible requirements in AB 710.

The committee moved and seconded to oppose the bill. The motion carried with 2 opposed.

### **2. SB 244 (Wolk)**

Last year, SB 244 was enacted, despite League opposition to the bill. This measure requires each city to update the land use element of its General Plan to address disadvantaged unincorporated communities by the next revision of the housing element by: identifying each island or fringe community within the city's sphere of influence as well as including a description of the community and a map; performing an analysis of water, wastewater, stormwater drainage, and structural fire protection needs or deficiencies; and analyzing benefit assessment districts or other financing alternatives that could make the extension of services financially feasible. This measure also requires a Local Agency Formation Commission to deny an application for any annexation if it is contiguous to a disadvantaged community, unless an application is filed for the annexation of the disadvantaged community.

Michael Coleman, Fiscal Policy Advisor to the League also spoke on the financial ramifications of the Legislature enacting SB 89. This legislation took cities' Vehicle License Fee (VLF) revenues, including revenue that would have otherwise gone to newly incorporated cities and cities that annexed inhabited territories. The passage of SB 89 exacerbates the problems with SB 244 because cities have even less money to deal with the mandates of SB 244 and less of an incentive to annex these disadvantaged communities. An update on current VLF revenues is on his website. It contains a description of the current status of city VLF revenues, a brief history of the VLF and

detailed estimates of the annual loss of VLF for each city due to SB89. <http://www.californiacityfinance.com/#VLF>

The League was asking the committee whether or not they wished to pursue legislation that would remove the annexation piece to the bill or otherwise minimize the impacts of the bill on cities.

The committee discussed alternatives to the legislation such as requiring counties to upgrade the infrastructure prior to an annexation and bringing the counties back to the table with us since the territory we are talking about is county land. The committee also discussed some of the more egregious portions of the bill like the fact that these disadvantaged areas will cost millions of dollars and could blow-up tax sharing agreements between counties and cities.

It was moved and seconded to modify or reduce the impacts of SB 244 and if that fails to rope the counties back into this legislation. The motion was unanimous.

### **3. Group Homes**

Over the past decade, there have been multiple attempts to assist cities with regards to the group home issue. However, few bills have been enacted that would have given cities the opportunity to regulate or enforce issues with regards to group homes. The League wanted to see if there was interest in introducing legislation or an executive order consistent with past League positions on group home bills and in line with the League's existing policies and principles.

There was a healthy discussion among the committee that including the possibility of overhauling the Health and Safety Code rather than dealing with specific issues one at a time (such as regulating only sober living homes or sex offenders). The committee also discussed distance requirements, ensuring that group homes are compliant with American Disabilities Act requirements if the operators claim that the clientele they serve are disabled.

It was motioned and seconded that the League consider a solution to group homes that allows cities to have input with regards to the various group home issues. The motion was unanimous.

### **4. Local Control of Mobile Food Trucks**

Staff briefed the committee on a proposal that would allow local jurisdictions to regulate the location, time, and duration of stay for mobile food trucks. The City of Santa Monica is the sponsor of the bill and the League wanted the committee to discuss support and possible sponsorship of the bill. Committee members agreed with the sponsors that cities must have local control and the ability to regulate. A committee member raised concerns about this proposal conflicting with League policy that supports smart growth and innovative economic growth. A few committee members noted that regulation allows for a level playing field. Some members shared stories of the problems they are experiencing in their own cities, and reiterated that this would give cities another tool in their tool belt.

There was a motion and second to sponsor the legislation, and the motion passed with 2 members opposed.

**5. Federal Community Development Block Grants (CDBG)**

Staff explained to the committee that CDBG will likely be targeted for significant cuts during the 2013 federal appropriations process. Staff asked the committee to consider supporting reforms to the program as part of our lobbying activities this year. Staff clarified that the committee was not being asked to support one reform over another, but rather general concepts for reform. Committee members voiced that the CDBG is very important to cities, and many agreed that the reforms outlined in the staff briefing made sense. Committee members suggested that reforms focus on providing guidelines encouraging and discouraging actions for the use of CDBG funds rather than specific percentages. One committee member familiar with the Integrated Disbursement and Information System (IDIS) raised concerns that due to funding cutbacks, many technical support staff were let go, resulting in confusion. A suggestion was made to come up with one master system, and agreed that the CAPER report was good.

There was a motion and second to support general reforms for CDBG. The motion passed unanimously.

**6. SB 708 (Corbett)**

In 2008, the League supported a bill (SB 1137, Perata) which requires the legal owner of a vacant property to maintain the property. It also authorized local governments to fine owners for violations with the fees going to the local nuisance abatement program. The bill sunsets as of January 1, 2013. While the League has existing policy to support SB 708 which would extend the sunset date of the bill, the committee was asked if it wanted to sponsor the legislation.

The committee expressed concern that sponsoring legislation would consume staff time and possibly dilute resources.

The committee moved and seconded supporting SB 708. The motion was unanimous.

**7. Mobile Homes**

The League has had a mobile home working group that includes members from the HCED policy committee. Over the past few months, the League has met with lobbyists from both the mobile home tenants and owners to see if there were some issue areas we could work on that would improve things for the owners, tenants and cities. Part of the discussion was that the owners have stated they will not introduce legislation on vacancy de-control this year and the tenants have agreed not to introduce legislation on mobile home park conversion. The goal is to see if the three parties can work together this year to try to find some areas of compromise and possibly introduce legislation next year.

The committee discussed the benefits of having the working group meet in person, at least once as well as getting the State Department of Housing and Community Development involved.

**VIII. Enterprise Zones**

Colin Parent, Director of External Affairs for the State Department of Housing and Community Development (HCD) came to speak to the committee to discuss proposed changes to the state's Enterprise Zone program. HCD issued a memo in October of 2011 announcing that no new zone designations would be issued until further notice, zones that have received conditional designations would receive a one-time restart of their 180-month

deadline to complete final designations, and that HCD would hold stakeholder meetings to solicit input.

Changes that HCD is considering include: limiting retroactive vouchering, making target employment areas smaller and more focused, updating vouchering requirements, limiting expansions for Enterprise Zones, and collecting better data.

The committee asked a question about the fate of current Enterprise Zones that were up for renewal. HCD responded that they can only designate 42 Enterprise Zones and that when one is up for renewal that a Request for Proposal (RFP) goes out for a designation. HCD does not automatically grant extensions, but rather areas compete for the designation. However, HCD has no plans to issue RFPs and areas will have expired designations until reforms have been made. HCD will be looking at the regulatory process to see what changes can be made. A second question was asked about the Governor's Office of Business and Economic Development (GO-Biz) and whether HCD is working with GO-Biz since it was created to serve as California's point of contact for economic development and job creation efforts. HCD responded that they have had conversations with GO-Biz. Colin Parent provided a handout which will be made available on the League's website. **(Attachment B)**

**IX. Strategic Goals for 2012**

The committee reviewed the League's 2012 Strategic Goals.

**X. Review of HCED Existing Policy and Guiding Principles**

The committee reviewed the changes to the 2010 HCED Existing Policy and Guiding Principles.

It was moved and seconded to accept the changes. The vote was unanimous.

**XI. Committee Work Program**

The committee reviewed the 2011 Work Program and discussed adding the following items to the 2012 work program:

- High Speed Rail. The committee will look at the integration of the transportation systems and pay particular attention to decisions that affect local control and land use decisions.
- Medical Marijuana. The committee will look at protecting local authority over medical marijuana dispensaries' citing and operations.
- Sponsored Legislation. The committee will work to promote legislation that it has voted to support and sponsor.

It was moved and seconded to add High Speed Rail, Medical Marijuana, and the Sponsored Legislation to the committee's work program for 2012.

**XII. Next Meeting**

The next meeting for the Housing, Community and Economic Development Policy Committee is FRIDAY, March 30, 2012, Doubletree Hotel, Ontario.

Cathy Creswell, Acting HCD Director, outlined HCD's proposal to address recent budget reductions and limited resources for review of housing elements. We understand HCD intends to revise its guidelines to provide greater certainty and clarity for local governments with regard to the standards that will apply during the housing element review process. Further, it is our understanding that jurisdictions that HCD has found in substantial compliance would receive a more limited review in their next housing element cycle, perhaps being permitted to submit an addendum outlining only changes made to the housing element.

Although we support HCD's interest in providing greater certainty and clarity for local governments with regards to the standards to be applied for review of housing elements, we would like to raise three issues with the approach HCD proposes:

- **Guidelines must be consistent with the statute.** As you are aware, it is our opinion that HCD's review of housing elements sometimes extends beyond its statutory authority and reflects an interpretation of the housing element law with which we disagree. Our opinion is based upon a review of the existing guidelines as well as advice letters. We are concerned that a process to revise the guidelines will not resolve this issue. In no circumstances should the Guidelines allow HCD review to mandate policies or analysis not required by the housing element law.
- **Broader perspective is necessary for a successful process.** The Housing Element Working Group (HEWG) from year's past that negotiated changes to the housing element law was successful, in part, for two reasons: (1) Two legislators were shepherding the work of the group; and (2) the legislators agreed that no housing bills would be considered by their committees during the time the HEWG was meeting.
- **Using an integrated planning approach.** As we have mentioned, SB 375 (Steinberg) made significant changes to the housing element law and clearly expressed the Legislature's interest in integrated planning – particularly transportation and land use planning. We believe, therefore, that any approach to housing must also include other planning considerations.

HCD just recently shared this proposal and we are still forming our response. We suggest that strong consideration be given to a broader, more integrated approach in which OPR and CalHFA, along with HCD collaboratively determine what, if any, revisions to the Guidelines are needed. We want to reiterate that we are adamantly opposed to converting the guidelines into regulations.

Finally, we would like to reiterate our main concerns with the existing HCD review process:

- HCD's policies should be consistent with SB 375, specifically to promote housing on infill sites.
- HCD policies and review requirements should recognize that other statutory mandates ensure compliance with state housing law – HCD review is a supplement to those laws and not a substitute.
- HCD housing element review should be transparent, consistent with the statute, and crafted to reduce excessive detail and use of significant local resources.
- Particular attention must be given to the core review issues outlined in our proposal:
  1. Vacant and redevelopment sites with development approvals.

2. Analysis required for non-vacant, infill sites.
3. The use of densities other than default densities and the ability to allow default densities with use permit approval.

**California HCD Enterprise Zone Rule Changes Under Consideration**

One-Pager - 12-12-2011

**Background:**

HCD issued a management memorandum on October 10, 2011. That memo contained the following announcements:

- No new Zone designations will be issued until further notice.
- Zones that received conditional designations would receive a one-time restart of their 180-month deadline to complete final designations. This included Zones who had delayed final designations for several years.
- HCD would begin a stakeholder process to solicit input in advance of rulemaking.

**HCD is actively considering several rule changes to improve the EZ program:**Limit Retroactive Vouchering

- 17-33% of hiring credits are issued for employees that were hired more than two years prior to the application for a hiring credit.
- Retroactive credits may be awarded for economic activity that was not incentivized by the program.
- Three Options for Limiting Retro-Vouchering:
  - Pre-certification within 30 or 60 days of hiring.
  - Limit look-back of retroactivity to 24 months
  - Pre-Certification of employers before eligible to apply for credits

Refocus Target Employment Areas

- 80-90% of hiring credits are awarded based on whether employees live in Targeted Employment Areas (TEA), which include census tracts with greater than 51% low income.
- TEAs may be over-inclusive and contain individuals who are not truly “hard-to-hire,” within the intent of the EZ statute.
- HCD is considering using smaller Census Block Groups to draw future TEAs. This would more closely tailor the availability of hiring credits to areas of actual need.

Clarify and Update Vouchering Requirements

- HCD’s rules may require employers to provide unnecessary documentation to qualify employees for hard-to-hire tax credits.
- Ambiguity in HCD’s rules may lead to inconsistent availability of hiring credits across different Zones.
- HCD is examining how to provide more clarity to its hiring credit rules, while also eliminating any documentation requirement that does not serve a public purpose.

Limit Expansions for Zones:

- Currently Zones may expand by right up to 15% of their original size.
- HCD will likely require compliance with reporting or other obligations as a prerequisite to any expansions.

Collect Better Data:

- HCD will begin collecting regular statistics from each Zone on the number, types, and value of vouchers issued.