

HOUSING, COMMUNITY & ECONOMIC DEVELOPMENT POLICY COMMITTEE HIGHLIGHTS

Thursday, April 7, 2011

Doubletree Hotel, 222 N. Vineyard Avenue, Ontario

ATTENDANCE

Members: Pierce, Barbara (Chair); Nassif, Scott (V.Chair); Bragg, Lorie; Bryant, Ronit; Casey, Raymond; Chamberlain, Debbie; Conneran, Michael; Glancy, Thomas; Hanin, Scott; Hardy, Ingrid; Johnson, Ken; Jones, Steve; Kennedy, Janet; Kiesel, Arthur; Krider, James; Magsig, Nathan; McCullough, Kathryn; Morehouse, Carl; Schultz, Robert; Seamans, Susan; Singer, Dan; Smith, Thurston; Strong, Fred; Torrez, Robert; Tsao, Eric; Vail, Eric; Westbrook, Tom

League Partner: Dave Aleshire, Aleshire & Wyndner

Staff: Dan Carrigg, Jennifer Whiting, Emily Cole, Michael Coleman, Ellen Powell

i. Special Order of Business – Joint Budget briefing

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, gave a general overview of the first few months of the year. He explained that the Legislature and Governor don't like how Proposition 22 reads. The Governor says that California can't afford redevelopment any longer, and the League's counter argument is that California can't afford to lose redevelopment. Mr. McKenzie discussed legal options and strategies that cities have if redevelopment is eliminated. Dan Carrigg, the League's Legislative Director, followed by giving detailed information on the votes that have been taken regarding redevelopment and explained that the legislature has now returned to a traditional budget schedule. Michael Coleman, the League's Fiscal Policy Advisor, presented a PowerPoint on the current condition of the State Budget. Each of the League's lobbyists briefed the joint meeting on specific issue areas, including Transportation, Public Safety, Pension Reform, and Fees Paid by Local Agencies and Grant Programs. Mr. Coleman's PowerPoint presentation can be found at <http://www.californiacityfinance.com/PolicyComms110406p.pdf>, and a summary of the briefing from the lobbyists can be found at http://www.cacities.org/index.jsp?displaytype=11&story=28454&zone=locc§ion=adv&sub_sec=advo_leg&tert=advo_leg_issues.

Following the presentation, staff received questions from policy committee members regarding how the Redevelopment proposal will impact current pass-through agreements to schools; how inmates will be ranked for release; if the Governor's savings assumptions are realistic; and what is being done about the structural deficit.

I. Welcome and Introductions

Chair Barbara Pierce welcomed the committee members and asked that they introduce themselves.

II. Public Comment

There was no public comment.

III. Proposition 26 Update

League staff updated the committee on the work of the City Attorney's Working Group on Proposition 26. The final white paper was not complete at the time of the meeting, but is expected to be available on the League website by the end of April. The City Attorney's Department had hosted a webinar on Proposition 26 the preceding day, and the PowerPoint presentations are available on the League's website. In response to a question, League Staff indicated that stormwater fees are exempt if they are property related.

IV. State Budget Update

The committee resumed discussion on the budget. In response to the proposal to eliminate redevelopment, committee members voiced frustration over the bills being received from the state and the lack of acknowledgement of how redevelopment results in affordable housing development. Specifically, members reported that some agencies are receiving bills higher than the revenues they actually receive due to local pass-through agreements. This raises questions about who is responsible for paying the bill to the state. Regarding affordable housing, members voiced that it is already difficult to get projects completed, and this proposal will just result in projects going on hold. They suggested that this issue needs more advertising. Staff reviewed the discussions the League has had with housing advocates and the challenges lobbying efforts are facing with that particular constituency.

The committee also inquired on the status of pension discussions. Staff reported that the Employees Relations Policy Committee was reviewing pension proposals and sending a report to the Board of Directors.

V. State Legislative Action Items

- **AB 1220** – The committee was asked to review and make a recommendation on AB 1220 which seeks to change the decision in *Urban Habitat Program v. City of Pleasanton* by changing the statute of limitations to challenge these types of actions to five years.

The committee was familiar with the legislation, as they had reviewed similar legislation the previous year. League staff provided a legal perspective of the issue before opening the discussion to the full committee.

Committee members were unanimously opposed to the idea of the bill. Cities are supportive of affordable housing, and include housing advocates in the housing element process. But existing laws are adequate. They voiced frustration with the amount and frequency of litigation, and this legislation would invite even more litigation. A long statute of limitations encourages people not to be engaged in the process, and take care of any problems afterward through the courts.

Committee members also discussed some of the political considerations of the bill, and indicated some willingness to accept the proposals staff included in the analysis.

Some committee members suggested looking at the Department of Housing and Community Development processes instead of a longer statute of limitations.

Ultimately, the committee voted unanimously to recommend an oppose position with instruction to staff to consider all suggestions made by the committee.

- **AB 441** – The committee was asked to review and make a recommendation on AB 441 which would require that the California Transportation Commission (CTC) include health issues, as specified, in the guidelines promulgated by the commission for the preparations of regional transportation plans (RTP). The bill would also require that the Governor’s Office of Planning and Research (OPR) develop guidelines that contain advice on how local and regional agencies can incorporate health issues into local or regional general plans.

Committee members voiced concern with pulling one recommendation off a list of recommendations to move forward. All policies should be vetted and woven together. They also voiced that this could lead to additional mobility issues. Cities already consider health issues. It should not be mandatory, and additional legislation is not needed.

- **Proposed Redevelopment Reforms** – At the request of staff, the committee voted unanimously to agendize the proposed redevelopment reforms developed by the California Redevelopment Agency and League. Committee members were provided with a written list of the reform proposals, and an analysis of the proposal has now been developed. Both documents are included as part of these Highlights as Attachments A & B, respectively.

Committee members raised the following concerns:

- Providing flexibility, from the proposed 25% cap on areas that can be placed in redevelopment within a city, to add areas that are truly blighted.
- Allowing housing funds to be used to identify housing opportunity sites.
- Allow land acquired for housing to be held for a total of seven rather than five years.
- Allow improvements required under the Americans with Disabilities Act to count under the emphasis on “basic infrastructure.”

The committee voted to recommend a support position, with recommendation to staff to consider concerns raised by the committee and outlined above.

VI. Federal Legislative Update

League staff encouraged committee members to send letters asking for full funding of the Community Development Block Grant program. Committee members raised concerns about the elimination of Section 8 Vouchers.

- VII. Adjourn:** Next Meeting: Thursday, June 16, 2011, Sacramento Convention Center
Committee members requested the mobile home issues be included on the next agenda.

**Summary of Reforms to Accompany
CRA/League Alternative to Governor's Budget
Proposal to Abolish Redevelopment Agencies**

I. REFORMS

Objectives: (A) Reform use of housing fund; (B) consolidate and update reporting requirement for agencies; (C) enact limits on percentage of total land area of jurisdiction which may be included in project areas; (D) enact a temporary moratorium on new redevelopment plan adoptions or amendments adding territory while legislation is prepared; and (E) focus expenditures of redevelopment funds on activities that align with enumerated State policies.

A. Reform Use of Housing Fund

1. Provide a specific standard for expenditure of money from the housing fund on general planning and administrative expenses expressed as a percentage of annual tax increment deposited in the housing fund. For agencies receiving \$3 million or more in annual gross tax increment, the percentage would be 20%. For agencies receiving less than \$3 million in annual gross tax increment, the percentage would be 10 percentage points higher.
2. Require cost accounting/allocation for staff salaries and office expenses paid from the housing fund.
3. Require the housing section of the 5-year implementation plan to include an inventory of the number of affordable housing units assisted from the housing fund during the previous 5 years, including the number of new units constructed, number of units rehabilitated and number of units preserved through purchase of affordability covenants.
4. Restore funding for the Housing and Community Development Department's compliance audits of redevelopment agencies with agencies to pay 0.05% of gross tax increment annually to be used exclusively for this purpose.
5. Increase public disclosure for transactions assisted from the housing fund by requiring a public hearing similar to hearings currently required for dispositions of property (e.g., Health & Safety Code Sec. 33433) before approving the transaction.
6. Give agencies receiving less than \$3 million in annual gross tax increment greater flexibility to use housing fund money by combining their resources with neighboring jurisdictions.
7. Prohibit use of the housing fund for land use planning unrelated to a specific affordable housing project (e.g., revision of the housing element), code enforcement, and lobbying. Maintain use of funds for administering other state

and federal programs that also increase, improve, and preserve the supply of affordable housing.

8. Require independent auditors to check for major audit violations and authorize the Controller to conduct quality reviews of audits. If the Controller finds that audits were not performed in accordance with legal guidelines, the Controller could initiate proceedings with the California Board of Accountancy which could lead to offending auditors being disqualified from performing agency audits for up to 3 years.
 9. The annual report would have to list the percentage of money from the housing fund spent on general planning and administration over each of the previous five years and properties owned by the agency that were acquired with money from the housing fund.
 10. Reduce the period of time agencies can hold land acquired with money from the housing fund without initiating development of affordable housing. (Currently five years with one five-year extension.)
 11. Amend the excess surplus provisions of the Community Redevelopment Law to provide that the value of land purchased with money from the housing fund for which the agency has not initiated development activity within the required time period would be counted in the determination of excess surplus. Eliminate the option of transferring excess surplus to the housing authority. This would mean that agencies would have to eliminate the excess surplus themselves or face the death penalty provisions. These provisions have an effective date two years in the future in order to enable agencies to plan based on the new requirements.
 12. Revise the income-targeting requirements to limit the amount of expenditures on moderate-income housing to no more than 20% of housing fund expenditures, even if the community's RHNA numbers would allow a greater expenditure for moderate income. The limit would be based on units assisted and housing fund expenditures over an 8-year period.
 13. Require that replacement housing be new construction or rehabilitation of non-residential or vacant residential structures. Replacement housing must add to the supply of housing.
 14. Increase oversight and enforcement of agencies that fail to meet their low income housing obligations.
- B. Consolidate and update redevelopment agency reporting
1. Require the Controller to revise the Guidelines for Compliance Audits of Redevelopment Agencies at least every 5 years.
 2. Consolidate redevelopment agency reporting into a single annual report to the Controller.

- C. Establish limits on the percentage of land area of a jurisdiction that may be included in redevelopment project areas
1. Prohibit new plan adoptions or amendments that would add land area to redevelopment project areas in excess of 25% of a city's total land area and 10% of a county's total unincorporated land area.
- D. Enact temporary moratorium
1. Enact a 1-year moratorium on new plan adoptions and amendments adding territory while legislation is prepared and enacted refocusing redevelopment activity, as described below.
 2. Provide exceptions for plan adoptions and amendments in process and military bases.
- E. Refocus redevelopment activity on enumerated State policies
1. Reduction of greenhouse gasses:
 - a. Authorize agencies to make loans to owners and tenants to rehabilitate structures in the project area to reduce greenhouse gasses or increase energy efficiency.
 - b. Authorize agencies to make loans and use other redevelopment tools to facilitate intensified infill development of areas targeted for such development in the region's approved sustainable communities strategy, including provision of jobs and commercial facilities close to residential areas and more compact housing, especially in proximity to transit.
 2. Increase number of jobs:
 - a. Authorize an agency to provide direct assistance to businesses within project areas in connection with new or existing facilities for industrial or manufacturing and similar uses of statewide benefit, including loans, loan guarantees and other financial assistance, based on strict job creation criteria.
 - b. Authorize an agency to assist with the cost of machinery in new or existing facilities for manufacturing or industrial uses and similar uses of state-wide benefit.
- F. In addition to the above reforms, the following redevelopment activities would continue:
1. Remediating contaminated property and buildings.
 2. Military base conversion.
 3. Assist transit-oriented development.
 4. Basic infrastructure (not public buildings).
 5. Affordable housing (20% set-aside).

ATTACHMENT B

Legislative Analysis - Proposed Redevelopment Reforms

Summary:

A summary of possible reforms to accompany the California Redevelopment Association/League alternative to Governor's Budget Proposal to abolish Redevelopment Agencies. The reforms: (A) tighten use of housing set-aside funds; (B) consolidate and update reporting requirement for agencies; (C) enact limits on percentage of total land area of jurisdiction which may be included in project areas; (D) enact a temporary moratorium on new redevelopment plan adoptions or amendments adding territory while legislation is prepared; and (E) focus expenditures of redevelopment funds on activities that align with enumerated State policies.

Please see attachment for full summary of reform proposals.

Background:

Following the release of the Governor's proposal to eliminate redevelopment, the California Redevelopment Association (CRA) and League began collaborations on alternative ideas. The ideas have gained traction, and created enough interest that the Governor's proposal for total elimination has not been accepted.

Discussions between the CRA, League, and housing advocates are ongoing. Therefore the proposals as presented here are still developing and being modified. The summary on Attachment A should be considered a starting point. Staff will present updated information during the Board meeting.

Committee Recommendation: Support, with consideration given to concerns raised in committee discussion.

Fiscal Impact:

Existing League Policy: The League supports continuing flexibility in the use of redevelopment authority. Redevelopment authority has been one of the few tools that cities have been provided that encourages economic development. The League opposes limiting authority or increasing the liability of redevelopment agencies.

Comments:

- 1) Since the Governor proposed to eliminate redevelopment agencies in January, the California Redevelopment Association (CRA) and the League have effectively battled against it. Yet the reality is that this outrageous proposal came within one vote of passing on the Assembly Floor. While state budget desperation is a key source to the rationale for "elimination," another major difficulty has been the widespread concern voiced by legislators and the press that the redevelopment tool has been "abused" in various ways and has not been sufficiently reformed. In response to those concerns, the CRA developed the attached reform package designed to address areas of concern and improve oversight and accountability.

- 2) Since the review of the above reforms by the HCED Committee, the CRA has proposed additional measures which have been combined and introduced into SB 286 (Wright), which the League board adopted a support position on May 3. CRA has opted to engage in discussions involving housing set-aside issues on SB 450 (Lowenthal), which is sponsored by housing advocates. CRA has a Support, If Amended position on SB 450.

Support-Opposition:

Support:

California Redevelopment Association—Sponsor of Proposed Reforms

Opposition: