

League of California Cities

California's Affordable Housing Challenge

City Managers Department Meeting

February 8, 2016

Monterey, CA



Jason Rhine - Legislative Representative jrhine@cacities.org
Dan Carrigg - Deputy Executive Director/Legislative Director
CarriggD@cacities.org



Housing 2017

Why are we here?

- CA is facing a significant housing challenge
- Governor, Legislature, HCD, stakeholders – all view local government as the primary problem
- Local land use authority – under a microscope
- Daily press coverage – little acknowledgement of market realities



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What are we going to accomplish?

- Discuss the League's housing goals and priorities
- Provide an overview of the situation
- Discuss pending legislation/state budget
- Provide cities with a game plan moving forward



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League of California Cities 2017 Strategic Goals

- Increase Funding for Critical Transportation and Water Infrastructure
- **Improve the Affordability of Workforce Housing and Secure Additional Funds for Affordable Housing**
- **Develop Realistic Responses to the Homeless Crisis**
- Address Public Safety Impacts of Reduced Sentencing Laws, Protect Local Priorities in the Implementation of AUMA, and Preserve City Rights to Deliver Emergency Medical Services

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California Forward – “Is an organization with a mission to inspire better decision-making by governments at all levels in order to: Grow Middle-Class Jobs, Promote Cost-effective Public Services, and Create Accountability for Results.”

- Economic Summit – December 13-14, 2016
 - One Million More Homes
 - New Fiscal Incentives
 - Property Tax Incentives
 - State/Local Match
 - GO Bond
 - Permanent Source



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California Forward – Continued

- Increased Accountability
 - Accelerated Land Use Approval
 - Withhold State Grants if RHNA Goals Not Met
 - New Housing Enforcement Unit at AG
 - Allow Any Third Party to Bring an Action
 - State Appeals Board at HCD



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Resources Legacy Fund Proposal – “An organization that advances the conservation of natural resources through creative solutions customized to the philanthropic goals of donors.”

Housing Concepts:

- A \$100 million fund to update local general plans and specific plans
- Consistency with implementation of AB 32, the state’s landmark climate and clean energy law



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Resources Legacy Fund Proposal –

Housing Concepts Continued:

- **Linkage of transportation funds with affordable and workforce housing production**
- Legislation to create a permanent funding source on par with the redevelopment affordable housing set aside from 2010
- Better enforcement of existing housing laws, and incentives for cities and counties that make significant progress toward providing their fair share of affordable housing



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Resources Legacy Fund Proposal –

Housing Concepts Continued:

- Streamlined permitting for projects that meet certain requirements, including **paying prevailing wages**, location within an infill area, and sites that have already undergone environmental and public review



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Pending Legislative Proposals



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Legislative Proposals – New Funding

- SB 2 (Atkins) Building Homes and Jobs Act
 - \$75 recordation fee on specified real estate transactions - \$300-500 million annually
 - Affordable owner-occupied workforce housing (120% of median income)
 - Affordable homeownership and rental housing for ag workers
 - Development, acquisition, rehabilitation, and preservation of rental housing – extremely low, very low, low, and moderate income households
 - Matching portions for local or regional trusts



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Legislative Proposals – New Funding

- SB 3 (Beall) The Affordable Housing Bond Act of 2018
 - \$3 billion GO Bond
 - \$1.5 billion - Multifamily Housing Program (MHP) to assist in the construction, rehabilitation, and preservation of permanent and transitional rental housing for persons with incomes of up to 60 percent of the area median income
 - \$600 million to the Transit-Oriented Development and Infill Infrastructure Account
 - \$600 million to the Special Populations Housing Account
 - \$300 million - CalHome Program to provide direct, forgivable loans for mortgage assistance



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Legislative Proposals – New Funding

- AB 45 (Thurmond) California School Employee Housing Assistance Grant Program
 - \$100 million for affordable rental housing
- AB 59 (Thurmond) Local Housing Trust Fund Matching Grant Program
 - Increases the maximum grant to \$5 million or \$2.5 for repeat grant recipient
- AB 53 (Steinorth) Personal Income Tax Deduction: Homeownership Savings Accounts
 - Allow a deduction of up to \$20,000 per year



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Legislative Proposals – New Funding

- AB 71 (Chiu) Tax Credits: Low-Income Housing: Allocation Increase
 - Would eliminate the state mortgage interest deduction from personal income tax for a taxpayer's second residence
 - Would use the proceeds to increase the housing tax credit that may be allocated to low-income housing projects to \$300 million and allocate \$500,000 to farmworker housing per year



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KNOW THE
RULES!



Legislative Proposals – Regulatory

- SB 35 (Wiener) Housing for a Growing California: Housing Accountability & Affordability Act
 - Requires project streamlining if Regional Housing Needs Assessment (RHNA) goals are not met at **ALL** income levels
 - Applies to multi-unit developments and Accessory Dwellings
 - Requires development to occur in “developed areas”
 - Requires development to be zoning compliant in height and bulk – cannot exceed 200 feet height limit
 - Requires **prevailing wage**
 - Requires 10% affordable housing
 - Prohibits **parking requirements**



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Legislative Proposals – Regulatory

- AB 73 (Chiu) Planning and Zoning: Housing Sustainability Districts
 - Would establish an opt-in planning and zoning program
 - Must have OPR approval – cannot alter without HCD approval
 - Offers funding for planning – must be repaid if development does not occur within 3 years
 - 20% of units must be affordable
 - State incentive payment for units that are constructed



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California State Association of Counties

- Revolving loan and grants for planning
- Focused on updating plans, streamlining design review and implementing revised AB 32 Scoping Plan
- CEQA streamlining for infill projects in urbanized unincorporated areas

American Planning Association

- Adequate funding for housing
- Proactive assistance from HCD



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- Workforce Housing Opportunity Zone (WFOZ)
 - Revolving loan or grant program for planning
 - Planning includes CEQA
 - Plan valid for five years – provides certainty to builders
 - Must build or rehabilitate 30% for moderate income households (120% of area median); 15% for lower income (80% of area median); and 5% for very low income (50% of area median); Remaining 50% could be market rate.



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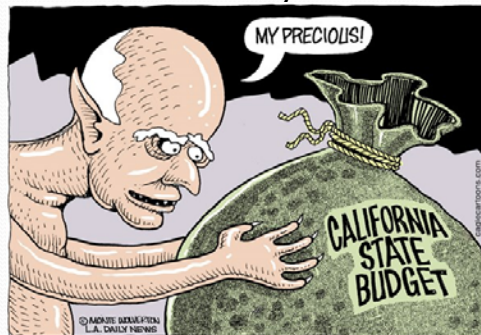
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- 55% Voter requirement – local bonds for infrastructure
- Cap and Trade – Affordable Housing Sustainable Communities Program
- HCD annual report
- Housing Element annual report



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Governor Brown's 2017/18 State Budget



No funding for affordable housing – took \$400 million from last year off the table

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Governor Brown's 2017/18 State Budget

- The Governor's Housing Policy Principles:
 - Streamline Housing Construction - Reduce local barriers
 - Lower Per-Unit Costs - Reduce permit and construction policies that drive up unit costs.
 - Production Incentives - Those jurisdictions that meet or exceed housing goals, including affordable housing, should be rewarded with funding and other regulatory benefits. Those jurisdictions that **do not build enough** to increase production should be encouraged by **tying housing construction to other infrastructure-related investments**.



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Governor Brown's 2017/18 State Budget

- Governor's Housing Policy Principles: Continued.
 - Accountability and Enforcement - Compliance with existing laws such as the housing element should be strengthened.
 - No Impact to the General Fund - No new costs, or cost pressures, can be added to the state's General Fund, if new funding commitments are to be considered. Any permanent source of funding should be connected to these other reforms.



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Recent Housing Related Studies

- McKinsey Report – Closing California’s Housing Gap – October 2016
 - Local Government Focused
- UC Berkeley – Turner Center for Housing Innovation
 - Borrowing Innovation, Achieving Affordability: What We Can Learn from Massachusetts Chapter 40B – August 2016
 - Highly Critical of Local Government
 - Focused on Housing Production Targets – Hold Cities Accountable
- Housing, Land Use and Development White Paper – December 2016
 - Understanding and Challenging Opposition to Housing Construction in California’s Urban Areas – Paavo Monkkonen, Associate Professor, UCLA



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Conclusions

- Major focus on local government land use authority
 - Research papers, Governor, HCD, Legislators, stakeholders
- No money in the State Budget – 2/3rds vote on new funding proposals



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Conclusions

- Competing Infrastructure proposals
 - Transportation, Housing, Water & Parks
- Eliminating or reducing local land use authority – No Cost
- New Federal Administration – Immigration, Affordable Care Act, Climate



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What You Can Do!

- Alert Council Members
- Support SB 2 (Atkins) and SB 3 (Beall) – Send Letters
- Contact Your Legislators – Express Your Views
- Submit Letters to the Editor
- Engage the Community
- Work With Your Regional Representative
- Download the League's Advocacy App
- Take Positions on other Housing Related Legislation
- Respond to League Housing Survey

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Take note of your Legislators!

Assembly Housing and Community Development

- David Chiu (Chair)
- Marc Steinorth (Vice-Chair)
- Raul Bocanegra
- Ed Chau
- Steven Choi
- Ash Kalra
- Monique Limon



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Take note of your Legislators!

Assembly Local Government

- Cecilia Aguiar-Curry (Chair)
- Marie Waldron (Vice-Chair)
- Richard Bloom
- Anna Caballero
- Lorena Gonzalez Fletcher
- Timothy Grayson
- Tom Lackey
- Sebastian Ridley-Thomas
- Randy Voepel



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Take note of your Legislators!

Senate Governance and Finance

- Mike McGuire (Chair)
- Janet Nguyen (Vice-Chair)
- Jim Beall
- Ed Hernandez
- Ricardo Lara
- John Moorlach



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Take note of your Legislators!

Senate Transportation and Housing

- Jim Beall (Chair)
- Anthony Cannella (Vice-Chair)
- Ben Allen
- Toni Atkins
- Patricia Bates
- Ted Gaines
- Mike McGuire
- Tony Mendoza
- Mike Morrell
- Richard Roth
- Nancy Skinner
- Bob Wieckowski
- Scott Wiener



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