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Legislature Adopts Partial Budget Package, Negotiations Continue
*Trailer Bills on Cap-and-Trade, RDA Dissolution, Drought Response
Still Under Discussion*

The Legislature today adopted a partial FY 2015-16 budget package by passing the main budget bill (AB 93) and four trailer bills. The remainder of the budget continues to be negotiated between the legislative leadership and Gov. Jerry Brown. Approving small clean-up bills after the budget deadline has become standard practice for the Legislature since 2010, when voters approved Proposition 25. It allows lawmakers to pass a budget on a majority vote. This year marks the first since the ballot measure's passage that legislators have made their deadline while punting on most major issues. *For more, see Page 2.*



**California Supreme Court Upholds San Jose's Inclusionary Housing Ordinance
against Constitutional Challenge**

Today the California Supreme Court issued its decision in [California Building Industry Association v. City of San Jose](#), in which the Court held that San Jose's inclusionary housing ordinance was not a taking of private property for public use under the California or federal constitutions. *For more, see Page 3.*



**DWR Holding Public Meetings on Draft Model Landscape Ordinance
on June 16 and 19**

*Projected to Cut Water Use by 30 Percent or More on New Landscapes
for Homes and Businesses*

New California yards and commercial landscaping would use far less water under the rules of a [model landscape ordinance](#) updated by the California Department of Water Resources (DWR) at the direction of Gov. Jerry Brown. The updated draft rules would prohibit installation of turf unless it is used for a specific function such as sports fields or gathering areas, require the installation of efficient sprinkler nozzles, ban turf in street medians and parkways with few exceptions and require use of compost to improve the water-holding capacity of soil. *For more, see Page 4.*



The negotiations, however, may not last long. The Governor has until July 1 to act on the budget passed today, and there seems to be momentum in the Legislature to pass the remaining trailer bills before that date.

The budget adopted today would increase discretionary spending over the Governor's proposal by \$749 million. During budget committee hearings, the Department of Finance (DOF) repeatedly raised concerns and expressed that that Governor Brown could not support this level of funding. In addition, DOF argued that the legislative proposal would increase spending even more in future years.

AB 93 also contains a legislative alternative to frontline public safety grants. The Governor's FY 2015-16 budget proposed to continue the \$40 million local law enforcement grants that cities have received for the last three fiscal years. The Legislature, however, has argued that the agreement to fund those grants expired in FY 2014-15. Instead, the Legislature has proposed to allocate \$20 million to a variety of specific programs, including training, anti-terrorism grants, and three infrastructure projects. While the \$20 million legislative alternative has been sent to Governor Brown, the League understands it is still being negotiated.

The main budget bill was adopted along mostly partisan lines. Democrats stressed that the budget invested in people, especially those who had suffered the most during the recession. Republicans argued that the priority should have been infrastructure, especially water infrastructure.

Many major issues for cities remain open for negotiation, including:

- **Redevelopment (RDA) Dissolution and Related Proposals:** The Governor's budget proposal outlined major changes to the RDA dissolution process, and linked several non-RDA proposals to the RDA package. The League has an opposed this measure for the many negative impacts on cities related to the attempt to overturn several court decisions. While there are some beneficial elements, many legislators have voiced concerns with aspects of this proposal.
- **Cap-and-Trade-Related Allocations:** The FY 2014-15 budget provided a continuous appropriation for 60 percent of the Cap-and-Trade auction revenues, which will continue uninterrupted. However, the remaining 40 percent will be negotiated annually. AB 93 includes language to fund the staff positions to keep the programs funded in FY 2014-15 running, but all other decisions remain open for negotiation.
- **Transportation:** While not officially part of any budget proposal, transportation revenues continue to be a priority for the League and many legislators. The League does not expect transportation revenues to be adopted as part of the budget package, but it is important to remind legislators that the need continues.
- **Drought Response:** AB 93 includes various appropriations in response to the drought, mostly from Prop.1 (2014). However, the Governor's budget proposed using Cap-and-Trade auction revenues for some drought response measures, including technology programs, appliance rebate programs, and water and energy efficiency projects.

Budget Trailer Bills

Summaries below include points that may be the most interesting to cities from the bills adopted today. For more details, bill language can be found at www.cacities.org/billsearch.

AB 93 (Weber) – Main Budget Bill

This bill is the main budget bill and includes FY 2015-16 appropriations. Numerous provisions in AB 93 remain open for negotiations. The League will provide a more complete summary of this bill when the final budget package is released.

AB 95 (Committee on Budget) – Transportation

- Provides a one-year extension of an exemption to continue to provide more flexibility in the use of State Transit Assistance Funding for transit operators whose cost increases have exceeded the Consumer Price Index (CPI).

- Requires Caltrans to report to the Legislature on potential benefits to safety, greenhouse gas reduction, service levels, and operating costs by improving grade separations at key intersections along the state's intercity rail system.
- Increases the cap on the number of low-emission and energy efficient vehicles allowed to use high-occupancy vehicle lanes.

AB 114 (Committee on Budget) – Public Works

Makes various changes regarding the financing of capital projects approved by the State Public Works Board. Most changes do not impact local projects, except for some changes to the amount of revenue bonds, notes, or bond anticipation notes that can be issued to finance local jail facilities.

AB 116 (Committee on Budget) – Budget Act of 2014: Supplemental Appropriations

Makes several allocations to cover shortfalls in various programs in FY 2014-15.

AB 119 (Committee on Budget) – Skilled Nursing Facilities

Extends various skilled nursing facility fees payments, and exemptions. Sets new performance measures for skilled nursing facilities to receive funding.

Next Steps

The Constitution requires the Governor to sign the budget by July 1. Given that what the Legislature passed today is not a finished product, it is unclear what Gov. Jerry Brown will do. His options include signing the legislation, reducing the level of appropriations through the use of his "blue pencil," vetoing the measure or delaying action until the Legislature sends him a revised package that reflects a broader agreement.

The League will keep its members updated on any developments in the coming days.

'Housing' Continued from Page 1...

In January 2010, the city adopted an ordinance imposing a citywide inclusionary housing program. The program applied to all residential for-sale developments and required that 15 percent of the units be made available at an affordable housing cost to households earning no more than 120 percent of the area median income for Santa Clara County adjusted for household size. As an alternative to providing the required number of affordable units, a developer had the options of constructing off-site affordable for-sale units, paying an in-lieu fee, dedicating land equal in value to the in-lieu fee, or acquiring and rehabilitating a comparable number of affordable units. As incentives for providing the affordable units, the developer could apply for a density bonus, a reduction in the number of parking spaces, a reduction in the minimum set-back requirements, and financial subsidies and assistance from the city.

In upholding the ordinance, the Court noted that the ordinance does not require a developer to give up a property interest for which the city would have been required to pay compensation under the state and federal takings clause. Nor does the ordinance require a developer to dedicate any portion of its property to the public or to pay any money to the public. Rather, the Court concluded, the ordinance simply places a restriction on the way the developer may use its property, like many other land use regulations. Thus, the ordinance falls within the City's broad discretion to regulate the use of real property to serve the legitimate interests of the general public and the community at large.

The Court's opinion recognizes that cities have broad authority over land use regulation and may place conditions on development under the police power to protect the public health safety and welfare. Although this case only addressed inclusionary housing, it will provide helpful support in other areas of land use regulation.

The League wishes to thank Tom Brown of Burke Williams & Sorensen for drafting the League's friend-of-the-court brief in this case.

'Water' Continued from Page 1...

DWR's draft revisions to the landscape ordinance are expected to reduce the water use of a new home by 16,000 gallons a year, or 30 percent. Water use on new commercial landscapes would be cut by approximately 40 percent under the draft rules proposed by DWR.

California is expected to add 472,000 single- and multi-family housing units with an associated 20,000 acres of new landscape over the next three years. The state's population is expected to grow by more than 11 million, reaching nearly 50 million people by 2050. New landscape standards are critical to ensure that new plantings are as efficient as possible.

In an April 1 executive order, the Governor directed DWR to update its State Model Water Efficient Landscape Ordinance in order to help California cope with a fourth year of extreme drought and build resiliency for future droughts.

State law requires all land-use agencies, such as cities and counties, to adopt a water-efficient landscape ordinance that is at least as efficient as the model ordinance prepared by DWR. DWR's model ordinance takes effect in those cities and counties that fail to adopt their own.

The draft revisions to the model ordinance reduce the size threshold for landscapes subject to the ordinance to 500 square feet for both commercial and residential property. Land-use agencies also would be required to report on ordinance adoption and enforcement each year.

Public Comment

DWR is hosting two public meetings to solicit public comment on the draft revisions to the model ordinance. Comments are due by June 26 and can be either made in person or emailed to julie.saare-edmonds@water.ca.gov. Meeting details are below.

June 16, 10 a.m. – 12 p.m.

Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012

[Click here to join the meeting.](#)

Call-in toll-free number: 1-877-952-3588. Attendee access code: 590 225 6.

June 19, 10 a.m. – 12 p.m.

Resources Building Auditorium
1416 9th Street, 1st Floor
Sacramento, CA 95814

[Click here to join the meeting.](#)

Call-in toll-free number: 1-877-952-3588. Attendee access code: 590 225 6.
