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2017-18 Legislature Sworn In, Senate Introduces Package of Infrastructure and Housing Bills

The Capitol was busy on Monday, Dec. 5. Members of the 2017-18 Legislature came to town to be sworn in and quickly got to business introducing a record number of bills for a first day. Along with the usual ceremony and celebrations, legislators also passionately debated resolutions on immigration. *For more, see Page 2.*



Sens. Atkins and Beall Introduce Key Affordable Housing Legislation *League of California Cities Strongly Supports Both Measures*

The League of California Cities[®] applauds the Senate's introduction of a meaningful and proactive infrastructure funding package that includes affordable housing. As part of the ["California Rebuild"](#) legislative package, Sen. Toni Atkins (D-San Diego) introduced [SB 2](#), The Building Homes and Jobs Act. This measure establishes a permanent source of funding for affordable rental or ownership housing, supportive housing, emergency shelters, transitional housing and other housing needs via a \$75 recordation fee on real estate transaction documents. It is estimated that this fee will generate hundreds of millions of dollars annually for much needed housing. *For more, see Page 3.*



CalPERS Board Eying Discount Rate Reduction (Assumed Rate of Return) *With Potential Action as Soon as Dec. 20, Cities Encouraged to Share Concerns and Comments with CalPERS and the League*

CalPERS reported another year of low annual investment returns in July 2016. Due to volatile financial markets and challenging global economic conditions, the country's largest pension fund reported 0.61 percent net return on investments — well below the assumed rate of return of 7.5 percent. Of additional concern, overall CalPERS pension funded status recently dropped from 73 percent funded to 68 percent. *For more, see Page 3.*

Legislation Introduced on Transportation Funding, Housing and Parks

Some of the usual celebration of the swearing in day was eclipsed by legislative business, as well as some partisan rancor over immigration and reaction to the President-elect. All total, legislators introduced 113 bills and 23 resolutions.

The League began analyzing legislation introduced on Dec. 5 and will continue this work through the bill introduction deadline. Once bills have been reviewed, the League will issue its hot and priority legislation list, which will be updated periodically through the entire legislative session.

Among the 113 bills introduced on Monday is a package of infrastructure bills in the Senate named "[California Build.](#)" The five-bill package comprises legislation on transportation funding, goods movement, housing and water.

The League on Dec. 5 published an update on the introduction of [SB 1 \(Beall\) and AB 1 \(Frazier\)](#), which both address transportation funding. Published before the bills were in print, the League is preparing a comprehensive analysis. The League and the [Fix Our Roads Coalition](#), of which the League is a founding member, have been engaged in an effort to urge the Legislature to pass a comprehensive and sustainable transportation funding solution to fix and maintain California's aging local and state transportation network.

Two bills in the Senate package address housing. [SB 2](#) (Atkins) establishes a permanent fund for affordable housing through a \$75 fee on real estate transaction documents. The League supported similar legislation in 2015 and 2016 with Assembly Speaker Emeritus Toni Atkins' (D-San Diego) [AB 1335](#), which ultimately failed to move in early 2016. Sen. Jim Beall's (D-San Jose) [SB 3](#) is a \$3 billion statewide affordable housing bond. The bill is similar to the senator's 2016 [SB 879](#), which the League supported. A thorough analysis is being prepared by the League on these measures.

Immigration was a hot topic on Dec. 5 in both legislative debate and the introduction of a number of related public safety measures in both houses. Both houses adopted resolutions in response to the President-elect's campaign statements on immigration, HR 4 (Rendon) and SR 7 (de León). In addition, the introduced legislation, AB 3 (Bonta), SB 6 (Hueso), SB 21 (Hill) and SB 29 (Lara) are all aimed at protecting California's immigrant residents from policies that could be implemented under President-Elect Donald Trump's Administration.

Composition of New Legislature

Local government continues to be very well represented in the Legislature. Seventy-four percent of the Assembly came from local government. In the Senate, that number is 53 percent. These members ran for higher office after serving on city councils, county boards of supervisors and school boards.

California's changing demographics are reflected in the new Legislature, especially in the Assembly where 54 percent of members make the body majority-minority, while the transition has been slower in the Senate, according to the [California Research Bureau](#). Gender balance has declined somewhat with 26 women legislators, the lowest number since the 1991-92 Legislature.

Democrats now hold a super-majority in both houses, which potentially gives the party the ability to pass tougher two-thirds measures without needing bipartisan support. The Senate has 27 Democrats, its super majority threshold, and 13 Republicans. The Assembly has 55 Democrats and 25 Republicans.

Dates and Deadlines

The Legislature will reconvene on Wednesday, Jan. 4. The Constitutional budget introduction deadline approaches fast less than a week later on Jan. 10.

Legislators and staff will also be busy submitting bill requests to the Legislative Counsel by Jan. 20 to meet the Feb. 17 bill introduction deadline for the year. Legislative policy committees ramp up typically in March but informational hearings begin early in the year. Schedules have yet to be announced but the League will provide information through *CA Cities Advocate* once it is available.

'Bills Introduced' Continued from Page 1...

"California has made significant progress recently in promoting economic and social justice and fighting climate change, but serious challenges remain, and at the top of the list is our infrastructure," said Sen. Toni Atkins. "The Senate Democrats' legislative package on infrastructure — including my bill, SB 2, to create a permanent source of funding for badly needed affordable housing — will go a long way toward improving quality of life for Californians and grow our state's economy."

SB 2 allocates 50 percent of the proceeds to local governments, so that they may be used to address housing needs at the local level. This measure will also help leverage additional federal, local and private investment including nontraditional funding sources such as tax increment and innovative preventative services.

As a companion measure, Sen. Jim Beall (D-San Jose) introduced [SB 3](#), The Affordable Housing Bond Act of 2018, which authorizes a \$3 billion general obligation bond to fund existing and highly successful affordable housing programs and infill infrastructure projects.

The funding in SB 3 is allocated to the housing programs that were funded in Proposition 1C of 2006 in the following amounts:

- \$1.5 billion to the existing 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, which the bill creates within the Fund, and allocates as follows:
 - \$200 million for the Transit-Oriented Development Implementation Program;
 - \$300 million for the Infill Infrastructure Financing Account for infill incentive grants to assist in new construction or rehabilitation of infrastructure that supports high-density affordable and mixed-income housing; and
 - \$100 million for the Building Equity and Growth in Neighborhoods (BEGIN) Program Fund to make grants to cities and counties to assist qualified first-time home buyers with down payments.
- \$600 million to the Special Populations Housing Account, and allocates as follows:
 - \$300 million to the existing Joe Serna, Jr. Farmworker Housing Grant Fund; and
 - \$300 million to the Local Housing Trust Fund to provide matching grants to local public agencies and nonprofit organizations that raise money for affordable housing.
- \$300 million for the existing CalHome Program to provide direct, forgivable loans for mortgage assistance.

The League is pleased to strongly support both SB 2 and SB 3. Cities are eager to provide affordable housing, but with the loss of over \$1 billion per year of redevelopment housing funds they lack the resources to do so. These measures will go a long way to fill the gap.

'CalPERS' Continued from Page 1...

Fund Stability Concerns Growing

Concern about overall sustainability of the pension fund has been building. In September 2016, then CalPERS Chief Actuary Alan Milligan (now retired) advised the CalPERS board's Administration and Finance Committee on ways to mitigate market volatility and reduce volatility of employer contributions to bring more long-term stability to the fund. The focal point of the

recommendation was to lower the discount rate (the assumed rate of investment return), phased in over time. Specifically, the board is considering lowering the discount rate for state and local agencies effective January of 2018 from 7.50 percent to 7.25 percent — then to 7.00 percent in 2019.

CalPERS has been proactive in reaching out to the League and other local agencies to solicit feedback on this proposal through in-person meetings and an online survey. League staff has attended the in-person meetings and over 240 cities responded to the survey.

Lowering the discount rate means higher contribution rates for city employers and employees, and runs counter to previous recommendations to smooth the rate over a 20 year period. Survey results reflected that sentiment. When asked about the option of lowering the discount rate over time versus one sudden drop in the rate, 82 percent of city respondents preferred the phased-in-over-time approach. When asked to rate the level of (financial) impact lowering the discount rate in the next 12 months would have on cities, 26 percent of respondents rated the impact as “extremely high,” while 42 percent rated the impact as “high.”

City officials understand the importance of bringing stability to the fund while reducing spikes in employer contributions. When asked what the most important aspect to lowering the discount rate was to a city, 70 percent of respondents noted reducing the volatility of employer contributions as their primary reason for supporting a potential reduction in the discount rate.

Board May Take Action Dec. 20, Comments Encouraged Immediately

The full board could vote as early as Dec. 20 on this potential change, however, action could be delayed until February. CalPERS has asked that the League and city officials provide public comment on this pending action. League representatives and several city officials plan to be there on Dec. 20.

If your city is concerned about this proposed change, please send comments to [CalPERS Stakeholder Relations@calpers.ca.gov](mailto:CalPERS_Stakeholder_Relations@calpers.ca.gov) or call David Teykaerts with questions at (916) 795-3991.

Reporting on California Pension Crisis

[CalMatters](#), a nonprofit reporting outlet, in conjunction with the *Los Angeles Times*, has produced a series of articles on California’s pending pension crisis. The articles have played a strong part in applying pressure to the CalPERS board to address the major unfunded liabilities within the system.

The articles are:

- [The Pension Gap](#)
- [The Fight](#)
- [The Ruling](#)
- [The Overhaul](#)
- [The Squeeze](#)
- [The Facts](#)

Informational Briefing: Housing — What to Expect During the 2017 Legislative Session

Free Webinar for Members

Addressing the housing affordability challenges facing California is a top priority for the League of California Cities® and the Legislature. Join League Legislative Representative Jason Rhine and Interim Acting Executive Director Dan Carrigg for a webinar being held Dec. 15 from 2 to 3 p.m. regarding pending housing related legislation and what to expect when the Legislature reconvenes on Jan. 4.

Please register for this webinar at www.cacities.org/events by Wednesday, Dec. 14 at 5 p.m. This webinar is free for League members and League Partners. Non-member cities will be charged \$100. Two connections will be allowed per city to provide easier access for members.

Webinar log-in information will be sent on the morning of Dec. 15. For questions about how to register for the webinar, please contact [Megan Dunn](#). For all other questions, please contact [Sarah Nowshiravan](#).

Community Health Partnerships Resource Center Now Available

ILG recently launched an online [Community Health Partnerships Resource Center](#) with tools for local officials and staff interested in using collaborative approaches to address community challenges.

Made possible through the generous support of Kaiser Permanente, the resource center includes:

- The Stretching Community Dollars Guidebook;
 - Examples of collaborative efforts focused on healthy eating/active living, violence prevention and safety;
 - Information about the benefits of a collective impact approach; and
 - Practical examples and tips on how to pursue leader-to-leader meetings between city, county and school officials.
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League-Sponsored Bond Agency Issues \$11 Million in Tax-Exempt Affordable Housing Bonds in Vacaville

Some of the most significant benefits of League membership for cities since 1988 have flowed from the League's co-sponsorship of the [California Statewide Communities Development Authority](#) (CSCDA).

This program provides a variety of public agencies and developers access to low-cost, tax-exempt financing and economic development tools. CSCDA recently issued \$11,000,000 in tax-exempt bonds for the multi-family affordable housing for Rocky Hill Veterans Apartments in Vacaville.

About Rocky Hill Veterans Apartments

Rocky Hill Veterans Apartments is the new construction of 39 affordable housing units by Community Development Partners (CDP). The benefits of the project for the city of Vacaville and Solano County include the following:

- 100 percent of the affordable rental housing units will be rent restricted for low-income tenants;
- 29 units are restricted for veterans (11 of which will serve chronically homeless veterans); and
- The project consists of 11 one-bedroom, 15 two-bedroom, and 12 four-bedroom units to house local residents, along with one manager's unit.

CSCDA and CDP partnered with Citibank to provide \$11 million in tax-exempt multi-family affordable housing bonds for the project. The financing for the project requires the affordability of units for low-income tenants to be maintained for 55 years.

Background

CSCDA is a joint powers authority created in 1988 and is sponsored by the League of California Cities® and the California State Association of Counties. It was created by cities and counties for cities and counties. More than 500 cities, counties and special districts are program participants in CSCDA, which serves as their conduit issuer and provides access to efficiently finance locally-

approved projects. CSCDA has issued more than \$50 billion in tax exempt bonds for projects that provide a public benefit by creating jobs, affordable housing, healthcare, infrastructure, schools and other fundamental services. Visit [CSCDA's website](#) for additional information on the ways in which CSCDA can help your city.

California City Solutions: Manhattan Beach Creates A Healthy Community by Committing to Blue Zones Project

This story is part of an ongoing series featuring Helen Putnam Award entries. The 2016 entries are available on the League's website as a resource for cities in a searchable database called [California City Solutions](#). The Manhattan Beach Blue Zones Project was submitted in 2016 for the Health and Wellness Programs award category.

The city of Manhattan Beach made a commitment in 2010 to support the Blue Zones Project — a Beach Cities Health District (BCHD)-led wellbeing and health initiative in the Beach Cities of Hermosa Beach, Manhattan Beach and Redondo Beach. The Blue Zones Project uses a communitywide approach designed to make healthy choices easier where people live, work, learn and play. In Manhattan Beach, implementation of this vision focused on providing healthy food options, providing walking and bicycling infrastructure, and adopting a smoke-free policy.

What began as a *New York Times* bestseller by *National Geographic* explorer and researcher Dan Buettner, shaped the creation of the Blue Zones Project by identifying nine lifestyle principles (Power 9[®] Principles) common to areas of the world where people lived the longest. The Power 9 Principles include:

1. Move naturally — live in environments that naturally get you moving without thinking;
2. Purpose;
3. Down shift — reduce stress;
4. 80 percent rule — stop eating when your stomach is 80 percent full;
5. Plant Slant or stick to a plant-based diet;
6. Wine @ 5 — moderate alcohol intake;
7. Belong — engage in spirituality or religion;
8. Loved Ones First — engage with family members; and
9. Right Tribe — engage in social networks, people with similar health behaviors.

Becoming a [Blue Zones](#) Community supports the city of Manhattan Beach's strategic goal on environmental stewardship to promote a healthy and active lifestyle for the community through creation of a built environment that compliments the natural environment.

Healthy Food Alternatives

BCHD certifies that local restaurants make healthy choices available and easy to find on their menu. There are currently more than 100 Blue Zones restaurants and five grocery stores in BCHD. The city also works with the Downtown Manhattan Beach Farmers Market and Growing Great to provide and raise awareness on local produce. Growing Great teaches nutrition education through garden plots at each of the elementary schools, and is recognized by the city each Earth Day for their incredible work.

Leadership Manhattan Beach (LMB) in 2013 created an awareness campaign and raised funds for the purchase of five water filling stations so users can easily refill reusable water bottles while they are riding bikes, walking/jogging, or playing sports at the city's parks — and do away with disposable plastic pollution. Through the partnership with LMB, the city installed the stations at each of the sites and maintains them. The school district has also implemented similar fundraising campaigns in each its schools.

Active Transportation

Receiving grant funding and partnering with Grades of Green and BCHD, the city designed three walking school bus routes to encourage students to walk to school. The city installed several art inspired bicycle racks through another partnership with LMB, and held a special "Moving Planet"

community event in September 2011 to promote active transportation. The city adopted a regional bicycle master plan in November 2011, which proposed an additional 31 miles of bikeways in an effort to improve the community's bikeability and reduce auto reliance. Staff vetted the routes with South Bay Bicycle Coalition volunteers, and beginning February 2012 designated two "Bicycle Friendly Streets," installed bike route signs, installed a Class II bike lane in the downtown area, and "Sharrows" to encourage drivers to share the road with cyclists. In October 2015, a 1.25 mile Class II bike lane was installed, with an additional 1.25 miles in final design.

Breathe Free MB

A smoke-free outdoor areas policy helps protect the health of the 86.9 percent of Californians who are nonsmokers, and tackles cigarette pollution before it reaches the coast. On June 17, 2014, the Manhattan Beach City Council voted to adopt Ordinance 14-0008 to prohibit smoking in all public places in the city of Manhattan Beach and prohibit the use of electronic cigarettes wherever smoking is not allowed.

The Smoke-Free Public Places ordinance became effective in July 2014, and became eligible to be enforced after August 2014. The Breathe Free MB policy was adopted with the assistance of several volunteers who surveyed residents and local businesses to determine support for a policy that would protect families, employees, and visitors from exposure to second hand smoke. BCHD, Los Angeles County, Surf rider, and Smoke Free Areas for Everyone are a few of the key partners. The city also worked with Grades of Green and the National Charity League to promote smoking prevention to youth through annual "Kick Butts Day" activities.

The Blue Zones Project presented a very unique opportunity for Manhattan Beach to participate in a nationally recognized initiative that brought positive attention to the community, and improved the quality of life for those that live and work in Manhattan Beach. Civic engagement is a priority in Manhattan Beach, and throughout the Blue Zones Project the community was involved from planning meetings to provide input, to classes and workshops, volunteer opportunities, and special community events. Today residents are healthier and more engaged with the community than ever before.

One way to illustrate this is through the number of participants in the city's recreational programs. In 2015, the city had 662,939 attendees in our parks, fields and programs — an increase of over 150,000 participants from 2010. For a population of 36,000, that participation level is outstanding, and shows the value the community places on the availability of recreational and wellness programs.

To continue the promotion of healthy lifestyles, BCHD partners with more than 25 fitness studios connecting residents with free fitness opportunities. In 2015, more than 2,800 participated in the weekend fitness series, while over 3,000 participated in a 12-week summer series that included beach yoga and zumba in the park.

Health and wellness results in Manhattan Beach and the Beach Cities have been phenomenal. Measurements from The Gallup|Healthways Well-Being Index reported a \$12 million savings in annual healthcare costs in the Beach Cities. In 2015, Gallup reports indicated exercise has increased 5 percent, healthy eating has increased 6 percent, and smoking has decreased 28 percent.

In addition, the Beach Cities collectively earned the highest 2015 Well-Being Index score in the U.S. — outpacing all 190 metro areas measured. Individually, Manhattan Beach ranked first, with Hermosa Beach and Redondo Beach ranking second and fifth nationally. Another key indicator where Manhattan Beach outpaced California, and the nation, is low smoking rates of 5.6 percent. In California that number is 13.7 percent and nationwide it is 18.8 percent.