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## **Senator Roth Continues Efforts to Secure Equitable Financing for Recently Incorporated Cities**

*SB 37 Passes Out of Senate Governance and Finance Committee, Moves to Appropriations*

California cities appreciate Sen. Richard Roth (D-Riverside) for his undaunted efforts to right a wrong. Despite having previous bills rejected by Gov. Jerry Brown, he is back again this year with [SB 37](#), which restores funding stability to four recently incorporated cities — Eastvale, Wildomar, Menifee and Jurupa Valley. These cities have experienced severe financial hardship since 2011 when the state swept all remaining shares of city vehicle license fee (VLF) revenues. The League commends the Senator for his tenacity and leadership on this effort. The Senate Governance and Finance Committee on March 15 [passed SB 37 7-0](#), sending it to the Senate Appropriations Committee. *For more, see Page 2.*



## **Senate Republicans Select Senator Bates to Succeed Senate Republican Leader Fuller**

*Leadership Transition Scheduled for April 12*

[Senate Republican Leader Jean Fuller](#) (R-Bakersfield) will step down from her role on April 12. Senate Republicans on March 14 elected [Sen. Patricia “Pat” Bates](#) (R-Laguna Niguel) as Sen. Fuller’s replacement. Sen. Fuller, who has served as Republican leader since September 2015, terms out of office in 2018. Elected to the Senate in 2014, Sen. Bates will not term out of office until 2022. *For more, see Page 2.*



## **California Air Resources Board Extends 2030 Target Scoping Plan Update Comment Period**

The California Air Resources Board (ARB) has extended the comment period for the draft 2030 Scoping Plan. ARB will be soliciting comments from stakeholders, including local governments, until April 1. Comments may be submitted electronically on [ARB’s website](#). The ARB board will meet June 22 – 23 to consider Scoping Plan implementation. *For more, see Page 3.*

The four Riverside County cities were particularly hard hit due to prior legislative tinkering with local revenue sources, and were much more reliant on the VLF than all of California's other 478 cities. Here's why. Prior to 1998, cities had three sources of revenue: property tax, sales tax and VLF revenue. (VLF originated as a local property tax levied on vehicles until the state standardized collection in 2004.) Fast forward to 1998 — during this good-budget year for the state some legislators became enamored with the idea of "cutting the car tax" from 2 percent to 0.65 percent with promises to backfill local agencies for their losses with shares of property tax from schools. This leads to more recent history.

As state budget difficulties returned in the early 2000s legislators began to question the backfill to local agencies. The lawmakers also balked at the notion of allowing the triggers to be pulled to allow VLF to be collected at its previous level of 2 percent. An agreement was reached in 2004, allowing all cities and counties in existence on that date to swap dollar-for-dollar the amounts owed to them as VLF backfill for increased shares of local property tax for schools. Proposition 2004 solidified this agreement.

This fix, however, left a major policy issue unresolved: there was no factor in the "swap" to address future incorporations or annexations. VLF had been previously allocated to cities on a per-capita basis. That meant that as new cities incorporated or otherwise added population they received increased shares of this pool of funds. These allocations also were a smart-growth incentive: more people in your city meant more revenue.

In 2006, the League worked with then-Assembly Member John Laird (D-Santa Cruz) to fashion AB 1602, which addressed this problem by providing permanent increased shares of a small pool of remaining VLF to newly incorporated cities and cities that annexed inhabited areas. When the Legislature swept all of these funds in 2011 as part of a budget solution, cities that had recently incorporated or annexed territory in heavy reliance of these funds were severely harmed, much more so than cities able to take advantage of the swap because they existed prior to 2004.

SB 37 resolves this problem for the four cities with a statutory formula that provides cities that incorporated between 2004 and 2012 with shares of property tax to offset the amount of vehicle license fee revenue they would have received. In future years the amount will be adjusted according to the same rules applied to other cities. In short, these cities will be treated equally with all other cities.

Restoring needed funding and avoiding the potential disincorporation of these new cities also provides long-term policy benefits to the state. Many of these funds will go to restore funding to local police and enhance public safety. Land use incentives should be considered as well. The four affected cities are located in one of the fastest growing regions of California. City land use patterns are urban and dense and their future growth is regulated by local agency formation commission (LAFCO) policies. In contrast, unincorporated development patterns are typically less dense and not regulated by LAFCO. This is a problem that the state cannot continue to ignore when considering the interaction between city and county growth patterns and reducing carbon emission — where growth occurs actually matters.

SB 37 would restore and stabilize funding for the affected cities and their residents with policy benefits to both local public safety and compact growth. The League appreciates Sen. Roth's unwavering commitment to this important matter.

The bill language, League's support letter and a sample support letter cities can use are available at [www.cacities.org/billsearch](http://www.cacities.org/billsearch) by plugging SB 37 into the search function.

A social worker by profession with local government roots, Sen. Bates came to public service through her community volunteer engagement. She championed Laguna Niguel's campaign for cityhood and was elected its first mayor upon incorporation in 1989. In 1998 after serving four terms as mayor and later a Laguna Niguel City Council member, she won her election to represent parts of Orange and San Diego county voters in the Assembly. Gov. Arnold

Schwarzenegger appointed then Assembly Member Bates to the Little Hoover Commission during her tenure in the Assembly. She then returned to local government in 2007 when she was elected to the Orange County Board of Supervisors.

In the Senate, Sen. Bates has served as vice chair of the Appropriations and Business, Professions and Economic Development committees as well as a member of the Environmental Quality and Transportation and Housing committees. She has also served on the Joint Legislative Budget and Joint Legislative Committee on Emergency Management and several other subcommittees, select committees and caucuses.

With her local government background, Sen. Bates has a long history of supporting the protection of local revenues and land use authority. Her office has always had a welcoming open door to League representatives and a strong concern for city issues.

The League of California Cities congratulates Sen. Bates on her election and looks forward to working with her as the Republican leader.

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#### **'Scoping Plan' Continued from Page 1...**

Under existing law, the Scoping Plan must be updated at least every five years. The most recent update was issued in 2014. ARB initiated the current Scoping Plan Update in order to comply with [Executive Order B-30-15](#), which required the Scoping Plan to be updated to reflect the midterm greenhouse gas (GHG) emissions reduction target of 40 percent below 1990 levels by 2030. Gov. Jerry Brown signed SB 32 (Pavley) earlier this year to codify the executive order.

#### **Recent ARB Auction Proceeds**

The ARB has released its most recent auction results in February that showed lower than expected generated revenue. The auction generated about \$8 million in revenue, which is significantly lower than past auctions that have generated \$364 million. Lawsuits challenging the cap and trade system are widely considered a contributing factor to the auction proceed volatility. It is also important to note, that only approximately 17 percent of the allowances offered for sale were purchased in the February auction. This auction fits into the recent trend of fluctuations in Cap-and-Trade auctions over the last year. More specific information on auction proceeds and expenditures can be found in the 2017 annual report to the Legislature on [Cap-and-Trade Auction Proceeds](#).

#### **Important Next Steps**

The League will continue to provide additional information on the Scoping Plan as it becomes available and encourages cities to weigh-in on questions or concerns to the ARB by April 10.

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#### **League-Sponsored Bond Agency Issues \$30.4 Million in Tax-Exempt Bonds for Affordable Housing in La Habra and Buena Park**

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 a total of \$30,425,000 in tax-exempt multi-family affordable housing bonds for Cypress Villa Apartments in La Habra and Emerald Gardens Apartments in Buena Park.

#### **About Cypress Villa Apartments**

Cypress Villa Apartments is an acquisition and rehabilitation of 72 multi-family affordable housing apartments by Cypress Villa 2016 LP. The project sponsor is KDF Communities. Cypress Villa

will continue to be 100 percent affordable and provide apartments to low-income residents in La Habra.

CSCDA and KDF partnered with Citibank and Orrick, Herrington & Sutcliffe, LLP to provide the \$11,600,000 in tax-exempt multi-family affordable housing bonds for Cypress Villa. The financing of Cypress Villa will maintain the affordability of units for low-income tenants for 55 years.

### **About Emerald Gardens Apartments**

Emerald Gardens Apartments is an acquisition and rehabilitation of 110 multi-family affordable housing apartments by Emerald Park 2016 LP. The project sponsor is KDF Communities. Emerald Gardens will continue to be 100 percent affordable and provide apartments to low-income residents in Buena Park.

CSCDA and KDF partnered with Citibank and Orrick, Herrington & Sutcliffe, LLP to provide the \$18,825,000 in tax-exempt multi-family affordable housing bonds for Emerald Gardens. The financing of Emerald Gardens will maintain the affordability of units for low-income tenants for 55 years.

These projects will undergo an extensive interior and exterior renovation ensuring that residents have an updated, safe, and affordable community to call home for years to come.

### **Background**

CSCDA is a joint powers authority created in 1988 and is sponsored by the League of California Cities<sup>®</sup> 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.

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