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Legislature Delays Vote on Housing Package Until After Summer Recess *League sponsored SB 540 (Roth) Remains in Play*

Late Monday, Gov. Jerry Brown and legislative leaders issued a [joint statement](#) announcing that the vote on a package of housing bills will be delayed. The Legislature’s annual recess runs July 21 – Aug. 21 and action will occur once the Legislature reconvenes from its summer recess in mid-August. *For more, see Page 2.*



Legislature Passes Cap-and-Trade Extension *Bills Advance to the Governor*

After weeks of negotiations, lawmakers in both houses voted on Monday to extend the Cap-and-Trade program. This action represents a compromise among stakeholders advocating for environmental, business, agricultural, and other interests. The three-bill package extends Cap-and-Trade through 2030, requires a two-thirds vote in 2024 on how to spend Cap-and-Trade revenues, and implements a new air quality program. *For more, see Page 3.*



Summer Recess/End of Session Legislative Briefing Scheduled for July 20

Join the League’s Legislative team for a briefing on major bills that cities need to advocate for and against when the Legislature returns from its summer recess (July 21 – Aug. 21). The webinar is scheduled for July 20 from 1:30–3 p.m. *For more, see Page 5.*

'Housing' Continued from Page 1...

"Astronomical housing costs are straining family budgets and stressing employees who can't afford to live where they work. That's unacceptable, and it's why the affordable housing crisis has been one of our top priorities.

"The package of legislation we are all working on will help ensure Californians won't have to pay an arm and a leg to have a roof over their head. It will include a general obligation bond, a permanent funding source for affordable housing and regulatory reform. This comprehensive approach does what's long been needed in California — build new homes and improve access to housing. We look forward to finalizing this package upon return from summer recess."

While the actual package of bills that will be included in the housing deal has yet to be announced, the Governor and leaders have been clear that money for affordable housing will only be available if it is paired with streamlined regulations at the local level.

There are a number of bills that could be part of this package, including:

Possible funding proposals

- SB 2 (Atkins): Imposes a fee of \$75 recordation on specified real estate documents to generate hundreds of millions of dollars per year for affordable housing, supportive housing, emergency shelters, and transitional housing.
- SB 3 (Beall) Affordable Housing Bond Act of 2018: Authorizes a \$3 billion general obligation bond to fund affordable housing programs and infill infrastructure projects including multifamily housing, CalHome, Joe Serna Farmworker Housing, Local Housing Trust Fund Matching Grant, BEGIN, and TODs.
- AB 71 (Chiu) Eliminates the mortgage interest deduction on second homes, increases the state Low-Income Housing Tax Credit Program by \$300 million.

Possible streamlining/regulatory reform proposals

- SB 35 (Weiner): Seeks to streamline multifamily housing project approvals by eliminating public input, prohibiting CEQA, and removing local discretion.
- SB 167 (Skinner)/AB 678 (Bocanegra): Makes numerous changes to the Housing Accountability Act including, 1) Requires findings to be based on "a preponderance of evidence"; 2) Imposes mandatory fines (\$10,000) on cities that fail to comply with a judge's order within 60 days; 3) Allows enhanced fines (a factor of five) if a city acts in bad faith
- SB 540 (Roth) Streamlines the housing approval process by having cities and counties identify priority housing areas where enhanced planning, necessary environmental reviews and public engagement would occur at the front-end. These Workforce Housing Opportunity Zones would focus on workforce and affordable housing in areas close to jobs and transit and conform to California's greenhouse gas reduction laws.
- AB 72 (Santiago): Provides the Department of Housing and Community Development broad new authority to review any action by a city or county that it determines is inconsistent with an adopted housing element.
- AB 73 (Chiu): Allows a city or county to create a housing sustainability district to complete upfront zoning and environmental review in order to receive incentive payments for development projects that are consistent with the district's ordinance.
- AB 879 (Grayson) Provides the Department of Housing and Community Development new authority to, 1) Complete a study to evaluate the reasonableness of local fees charged to new developments, including new amendments to the Mitigation Fee Act to "substantially reduce fees for residential development"; 2) Requires a city, in their analysis of governmental constraints, to include an analysis of any currently-authorized,

locally-adopted ordinances that directly impact the cost and supply of residential development.

- AB 1397 (Low): Requires lands in a city’s housing element to include vacant sites and sites that have “realistic and demonstrated potential” for redevelopment to meet a portion of the locality’s housing need for a designated income level.
- AB 1515 (Daly): Requires housing projects to be deemed consistent, compliant, and in conformity with an applicable plan, if there is substantial evidence that would allow a reasonable person to conclude that the housing development project or emergency shelter is consistent, compliant, or in conformity.

SB 540 Remains in Play

One important and unanswered question is what happens to housing bills that are not looped into the package.

The League is sponsoring SB 540 because it would give local governments new tools to plan for housing and create a more streamlined path that eliminates some of the delays and uncertainty that currently impede housing construction. This policy would help spur more affordable housing development, which is desperately need.

Under SB 540 cities and counties would identify priority housing areas — called Workforce Housing Zones — within their boundaries. The local government would conduct enhanced planning, important environmental reviews and public engagement at the front end with specific details as to what type of housing would be built within the zone. Because the local government has fully conducted the extensive environmental reviews at the front-end, no project-specific additional environmental reviews would be necessary. It is estimated that SB 540 would shave one to two years off the development timeline without compromising environmental protection, public health, local control or the rights of citizens to participate in local land use decisions.

Next Steps

The League will continue to work with lawmakers and Governor Brown over the summer recess. It is likely that more amendments are forthcoming and some could undermine local land use authority. Action may need to be taken when lawmakers return on Aug. 21.

‘Cap-and-Trade’ Continued from Page 1...

Gov. Jerry Brown has long urged extension of Cap-and-Trade with a bi-partisan, two-thirds majority. However, as late as last week, it remained unclear whether the package could garner support from Republican lawmakers. Throughout negotiations, Democrats have treated the expenditure plan for cap and trade revenues as separate from the extension of cap and trade itself. Republicans wanted to link the two and have an expenditure plan be part of this deal.

Short of a final expenditure plan, Assembly Republican Leader Chad Mayes (R-Yucca Valley) negotiated the addition of constitutional amendment to require a two-thirds vote on spending in 2024. ACA 1 provides some Republicans with enough certainty that their priorities will be considered when it comes to deciding how to spend the funds in the future, and resulted in several Republicans voting in favor of the package.

Details of the three measures are outlined below.

AB 398 (E. Garcia):

- Extends the Cap-and-Trade system through Dec. 31, 2030 with declining emissions limits;
- Requires State Air Resources Board (ARB) to set cost containment measures, including a price ceiling, “speed bumps” to limit excessive price spike, offset credit limits, and industry assistance factors for allowance allocation;

- Establishes a Compliance Offsets Protocol Task Force to advise the ARB on establishing new offset projects that have direct environmental benefits, while prioritizing disadvantaged communities, Native American or tribal lands, and rural and agricultural regions;
- Establishes an Independent Emissions Market Advisory Committee to report to the ARB and the Legislature on the environmental and economic performance of Cap-and-Trade;
- Requires the California Workforce Development Board to report on the need for increased education and job training to help transition labor-market changes;
- Requires the ARB to update the Scoping Plan by Jan. 1, 2018;
- Establishes funding priorities until Jan. 1, 2031 as follows:
 - air toxic and criteria pollutants from stationary and mobile sources;
 - low and zero-carbon transportation;
 - sustainable agricultural practices that promote the transitions to clean technology, water efficiency, and improved air quality;
 - healthy forests and urban greening;
 - short-lived climate pollutants (such as methane); and
 - climate adaptation and resiliency; climate and clean energy research.
- Prohibits local air districts from adopting additional emissions reduction rules from stationary sources that are subject to Cap-and-Trade;
- Suspends the existing fire prevention fees that apply to rural landowners until Jan. 1, 2031; and
- Extends an exemption from the state portions of sales and use taxes for certain purchases of property used for generation of electric power until July 1, 2030, but does not affect the collection of local shares of city and county sales and use taxes.

AB 617 (C. Garcia):

- Requires stationary sources to report annually emissions of criteria air pollutants and toxic air contaminants; require the ARB to develop a new air monitoring plan and determine high priority locations to deploy community level air monitoring systems; authorize the local air district in selected locations to require stationary sources to deploy fence-line monitoring systems;
- Requires the ARB to prepare a statewide strategy to reduce air emissions in communities with a high cumulative exposure burden and update the strategy every five years;
- Requires local air districts that have not attained air pollutant goals under the federal Clean Air Act to expedite retrofits of industrial sources; and
- Increases the penalty for air pollution violations from \$1,000 per day to \$5,000 per day and increases the maximum penalty annually based on the Consumer Price Index.

ACA 1 (Mayes):

- Beginning on Jan. 1, 2024, deposits cap and trade revenues into the newly established Greenhouse Gas Reduction Reserve Fund;
- Requires a two-thirds vote to appropriate funds out of the Greenhouse Gas Reduction Reserve Fund;
- After a two-thirds vote appropriation takes effect, ends the deposits into the Greenhouse Gas Reduction Reserve Fund, and instead deposits moneys into the Greenhouse Gas Reduction Fund, which is not subject to the two-thirds vote threshold; and
- Suspends the Manufacturing Sales Tax Exemption after Jan. 1, 2024 until a two-thirds appropriation from the Greenhouse Gas Reduction Reserve Fund takes effect.

Next Steps

AB 398 and AB 617 go next to Governor Brown, who is almost certain to sign the bills. As a constitutional amendment, ACA 1 advances directly the voters on the June 2018 ballot. While priorities for funding were set by AB 398, the Legislature may still appropriate funding from recent auction proceeds. Gov. Brown proposed an expenditure plan in his January Budget Proposal; however, with the new prioritization of funds in AB 398, we expect to see new legislative and administrative proposals for spending these funds.

Over recent weeks, some advocated for a housing package to be voted on at the same time as Cap-and-Trade. However, the Governor, Senate President pro Tempore Kevin de León (D-Los

Angeles), and Assembly Speaker Anthony Rendon (D-Lakewood) announced yesterday that a comprehensive housing package would be continued until after the Legislature's summer recess.

'Webinar' Continued from Page 1...

This briefing is intended to help city officials focus their effort to protect local authority and voice their support and opposition on key bills and regulatory activity. Many issues important to cities remain pending, so city officials should be ready for action.

Staff will provide a briefing on priority bills and issues, including Cap-and-Trade, marijuana regulation, housing and land use, small cell siting, environmental quality, and public safety. This webinar will provide information useful to successfully advocate on behalf of your city.

This webinar is free for League members and League Partners. Non-member cities will be charged \$100.

Register online at www.cacities.org/events by noon on Wednesday, July 19. Most League webinars allow for only one connection per city, however due to the capacity for this webinar, the League is allowing two connections per city to provide easier access for members.

The log-in information will be sent by the end of the day on Wednesday, July 19.

For questions about how to register for the webinar, please contact [Megan Dunn](#). For all other questions, please contact [Meg Desmond](#).

Cities Encouraged to Review the List of Suspended State Mandates for Possible Savings

Most city officials do not relish complying with state mandates, but what they may not know is each year in the annual budget process the Legislature and Governor agree to "suspend" many. This is done so that the state does not have to reimburse local agencies for the costs. The Department of Finance (DOF) has released its [annual letter notifying](#) the League that 56 mandates have been suspended for FY 2017-18.

The letter from DOF notes that during this period, local agencies are not required to implement any of these previously mandated programs nor will local agencies be reimbursed for associated costs. The requirement stems from Proposition 1A of 2004 (sponsored by the League), which included this "pay or suspend" requirement. Prior to Prop. 1A, the state simply would defer payment and was years in arrears.

This list that includes topics such as airport land use commission plans, background checks, Local Coastal Plans and other items may provide a city with opportunities to revise past practices and perhaps incur cost savings. Additional information on any of these specific mandates can be found on the [State Mandates Commission website](#).

Upcoming Public Engagement Workshop Scheduled Aug. 29

Join the Institute for Local Government for a public engagement workshop in Oroville on Aug. 29.

In this one-day workshop, local leaders from cities, counties and special districts will explore the new [TIERS Public Engagement Framework](#), a step-by-step guide to effectively engage residents. Attendees will gain new tools, tips and tricks to improve public engagement efforts; learn how to overcome barriers, challenging situations and political roadblocks and gain new facilitation skills with hands on exercises.

[Register online.](#)

Please contact [Madeline Henry](#) with questions.

Apply Now for Pre-Disaster Mitigation and Flood Mitigation Assistance Grants

Applications due Aug. 4

The California Governor's Office of Emergency Services (Cal OES) has received the Notice of Funding Opportunity (NOFO) announcement for the 2017 Pre-Disaster Mitigation (PDM) and the Flood Mitigation Assistance (FMA) grant programs. This includes \$90 million nationwide for PDM and \$160 million nationwide for FMA.

These programs provide funding for the development of local hazard mitigation plans (LHMPs) and implementation of hazard mitigation projects. The NOFO and specific Cal OES information concerning the funding opportunities and Notice of Interest (NOI) and application process may be accessed on the Cal OES Pre-Disaster and Flood Mitigation Division [webpage](#).

The NOI for both programs must be submitted to Cal OES by Aug. 4.

The following documents have additional information:

- [FMA Fact sheet](#)
- [PDM Fact sheet](#)
- [FMA NOFO](#)
- [PDM NOFO](#)
- [NOI Instructions](#)

For questions related to the 2017 PDM and FMA funding cycle, please contact the Pre-Disaster and Flood Mitigation Division at PDFM@caloes.ca.gov.
