I. **State Budget and Issues Briefing**

The June 2016 Committee meetings began with a general session briefing on State Legislative and League activities. Chris McKenzie, League Executive Director, provided an update on the rollout of the League Health Marketplace. The coordinated effort has gone well and Mr. McKenzie was enthusiastic that the opening of the Marketplace will soon be announced.

Michael Coleman, League Fiscal Advisor, provided an update on the May revision of the state budget and insight on items expected to be approved in June. While revenues are down from May revision estimates, revenues are still growing over what is anticipated. Mr. Coleman highlighted the Governor’s attention to building up the Rainy Day fund to protect the state against expected economic downturns. While the budget is being crafted, the Governor remains concerned with the volatility of the state’s largest revenue sources. Mr. Coleman additionally reported on the long-term budgetary impacts of the minimum wage increase, Managed Care Organization (MCO) matching agreement, and contract agreements with the California Correctional Peace Officers Association (CCPOA).

Dan Carrigg, League Legislative Director, presented on the ongoing legislative conversations and proposals focused on tackling the affordable housing crisis. For context, housing prices and demand are on the rise while the Legislative Analyst Office (LAO) has reported the need for over 100,000 units a year on the coast alone. In response, legislators have authored a number of bills this year that change laws relevant to local land use and permit authority. The largest of among them is the Governor’s “by-right” housing proposal that removes local discretion over land use decisions and public input. Mr. Carrigg urged city officials to take action by calling their legislators and mobilizing their communities against this proposal.

The League remains engaged on homelessness proposals such as the Senate “No Place Like Home” proposal that also enjoys the Governor’s support.

Mr. Carrigg provided an update on various revenue and taxation proposals being considered by the Legislature. These include efforts to establish statewide regulation the collection of Transient Occupancy Taxes (TOT) and approval of housing bonds to provide revenue for affordable housing projects. He also provided additional comments on the League’s continued work to modernize tax structures to respond to the new economy. The League Revenue and Taxation
policy committee will continue to explore and make recommendations on the best course of action.

Rony Berdugo, League Legislative Representative, provided an anticipated update on transportation funding discussions. Mr. Berdugo reported that there is general frustration over inaction and funding will likely not be included in the budget. As a result, the Fix Our Roads coalition, which the League is a member, hosted a rally on May 19th at the State Capitol to present a bi-partisan proposal that focuses both on reform and on revenues. Mr. Berdugo was optimistic that the discussions would continue in the Transportation Special Session.

Jason Rhine, League Legislative Representative, provided an update on water and cap-and-trade. Mr. Rhine stressed that the drought is not over. The State Water Board has replaced its conservation standards with a new “stress test” method. Drastic cuts have been removed but certain restrictions remain such as watering lawns and cleaning cars. On cap-and-trade, there is a great deal of uncertainty as pending litigation strongly questions its legality and Legislative Counsel ruled that AB 32 will expire in 2020. In addition, trade auction revenues are declining.

Tim Cromartie, League Legislative Representative, discussed medical marijuana, police funding and drone legislation. Mr. Cromartie noted that the current focus is on defending the progress made last year with medical marijuana regulation. The Legislature continues to propose measures that will set tax rates and the League continues to engage in these discussions. On drones, there are legislative proposals such as SB 868 (Jackson), which seeks to establish appropriate drone regulation and protect local control. Mr. Cromartie also reported that the May Revise contains $20 million for police training and enforcement purposes and the League will continue to support this budget item.

Dane Hutchings, League Legislative Representative, reported that the legislature is focused on further regulation of police body-worn cameras and proposals to either subject or exempt their footage from provisions of the Public Records Act (PRA). Further, Mr. Hutchings provided an update on the League’s efforts to provide cities relief, through legislation, from serial litigants under the California Voting Rights Act (CVRA).

II. Welcome and Introductions
The Chair introduced himself, welcomed the committee and walked through the agenda for the day. The committee then made introductions.

III. Public Comment
There was no public comment.

IV. Legislative Update—Action item
There was one action item for the committees’ consideration, The California Legislature Transparency Act (Ballot Measure). The Chair reviewed the guidelines that the proponents and opponents needed to adhere to before making formal introductions.

The California Legislature Transparency Act
Proponents: Gavin Baker, Common Cause
          Sen. Sam Blakeslee, Hold Politicians Accountable

Sen. Sam Blakeslee highlighted the following:
• Goal is to improve transparency.
• CalPIRG gives California an F grade on public transparency.
Specific Provisions in the Measure are:
Before final vote in each house, every bill would be in print for 72 hours before.

1. On January 1, 2019 require the State Legislature to ensure audiovisual recordings of all public proceedings are publicly accessible on the Internet within 24 hours and archived for at least 20 years thereafter (excludes closed session meetings).

2. Prohibits the Legislature from voting on a bill until it has been published online in its final form for at least 72 hours.
   a. This notice period may be waived to address a state emergency such as natural disasters.
   b. In such event, the Governor must submit a written statement to the Legislature that dispensing with the 72-hour rule is necessary in order to address the state of emergency.
   c. That action must be approved by two thirds of the legislative body prior to action being taken on the measure in which the rules are being waved.

3. Allow all recordings of public proceedings to be used for any legitimate purpose. (Note: Current law prohibits Assembly recordings from being used for political and commercial purposes).

Sen. Blakeslee notes that this measure is consistent with League’s commitment to open government. Sites League’s Resolution 7 opposing Legislature’s gut-and-amend over VLF fees.

Baker: Common Cause has been long critical of gut-and-amend process. Three-day rule is common sense reform to end this process and abuses of process. He also states that this initiative is supported by many groups across spectrum (Business Roundtable, NAACP, League of Women Voters, etc.). Mr. Baker believes that this is a practical reform and will be workable. Senator Wolk and Speaker Rendon have introduced bills that have similar provisions. Cities already operate under such provisions and they get business done.

Opponent: Steven Maviglio, Californians for an Effective Legislature
Mr. Maviglio highlighted the following:

1. Look at motivation behind it, details. Thinks will inject more politics and special interests into process and prevent leaders from acting with courage.
2. Charles Munger is sole donor-- $8.6M for this initiative.
3. OK with most of initiative, but see Section 5: anything that happens in Legislature can be televised and used in campaign materials (political attack ads).
4. Less than .1% of bills are “gut-and-amend”.
5. Lots of time to have input before Governor signs.
6. Many large issues (water bonds, fair housing, budget, etc.) done in middle of the night—avoids special interests gearing up to oppose it—not the general public. Thinks this will impair Legislature’s ability to act.

Once each side gave statements for their respective positons, the committee began their deliberations and asked questions of both sides. Comments were mostly in favor of the initiative.
given the Leagues support of similar measures and the passing of our own in-house resolution. **Note:** Staff did explain to the Committee that the in-house resolution that the League passed/approved dealt only with the 72 hour print rule and did not take into account the provisions regarding the use of assembly television footage for political advertisements nor did it take into the account the requirement of storing footage for 20 years online.

Some concerns were raised regarding the ballot initiative process. Under this proposal, even minor or technical amendments could not be corrected—this could lead to unintended consequences of legislation being passed with drafting errors or being held and not voted on because of said drafting errors. Additionally, there was some concern that the use of video for political ads could be another unintended consequence.

Despite the concerns, the committee adopted a support recommendation to the board on a 25/6 vote.

V. **Legislative Update—informational item(s)**

League staff provided updates on various pieces of legislation that the committee had already taken a position on. Below is a list of the legislation reviewed:

- AB 1957 (Quirk): Oppose
- AB 2611 (Low): Watch
- AB 2853 (Gatto): Support
- AB 278 (Hernandez): Neutral (as amended)
- AB 2220 (Cooper): Support (Co-Sponsor)
- SB 1108 (Allen) Support
- SB 1288 (Leno) Support
- SB 1107 (Allen) Neutral
- AB 2257 (Maienschein) Oppose unless amended (note: this position has moved to neutral as amended)

Meeting adjourned at 1:40pm

**Next Meeting (TENTATIVE): Annual Conference, Long Beach, October 5, 9:00 – 10:30 a.m.**
*Staff will notify committee members after August 6 if the policy committee will be meeting in October.*
SPECIAL ORDER
State Budget and Key Issues Briefing
10:00 – 10:45 a.m.
Sacramento Convention Center, Room 204
June 2 & 3, 2016

AGENDA

I. Welcome and League Update – Chris McKenzie, League Executive Director

II. Governor’s Budget Update – Dan Carrigg, Mike Coleman

III. Housing – Kendra Harris

IV. Transportation and Public Works Issues – Rony Berdugo

V. Environmental Issues – Jason Rhine

VI. Public Safety – Tim Cromartie

VII. Employee Relations/Administrative Services – Dane Hutchings

VIII. Revenue & Taxation Issues – Dan Carrigg

IX. Adjourn (10:45 a.m.)
June 1, 2016

"By Right" Housing Approvals
Proposed Trailer Bill ¹
June 1, 2016

The Department of Finance released an updated version of the Governor's "by right" housing proposal.

While some minor issues have been clarified, other new issues of concern have been added.

Basic Framework: The Governor's proposal for streamlining affordable housing approvals requires cities and counties to approve:

- A certain type of housing project with modest levels of affordable units
- As a permitted "use by right"
- With no public input;
- With limited ministerial review; and
- No CEQA compliance

Major Changes:

- HCD has been given broad and unprecedented authority authorized to determine where "affordable housing" should not be located. This provision authorizes (but does not require) HCD to adopt regulations pursuant to the Administrative Procedures Act that would determine what areas are "inappropriate for affordable housing development" according to "objective criteria," including areas severely lacking in access to public transit, accessibility to employment or educational opportunities, and residentially supportive retail and service amenities. Unless and until HCD adopts regulations, this section of the proposal doesn't prohibit housing on any particular site. Housing qualifies as a "permitted use" in an HCD-identified area if the project incorporates "approved remediation measures." CEQA does not apply to the adoption of the regulations.

- States legislative intent that the provisions "advance," laws prohibiting discrimination, implementing state planning priorities, attaining the state housing goal, fair housing choice, AB 32 climate change, and compliance with "non-discretionary" local inclusionary zoning ordinances.

- Instead of requiring developments to comply with "objective general plan and zoning standards," as in the prior draft, this version seems to narrow the language by defining "objective planning standards" to be land use and building intensity designation applicable to the site under the general plan and zoning code, land use and density and other objective zoning standards, and any setback or objective design review standards.

- Adds a definition of "approved remediation measures" but only applies it to developments on prime farmland, flood plains, wetlands, hazardous waste sites,

¹ Based on most recent Department of Finance draft.
June 1, 2016

earthquake faults, and areas identified by HCD as inappropriate for affordable housing.

- Responding to concerns expressed with the prior draft, developers are required to replace any existing affordable housing on a site at equal or greater levels and must pay relocation assistance to those displaced.

- Clarifies the Subdivision Map Act must be complied with.

- Deletes language from prior version that implied zoning amendments and conditional use permits could be made by staffers as ministerial decisions.

What types of housing projects are included?

Newly constructed structure containing two or more dwelling units in a project that is entirely residential or part of a mixed-use development that comply with the criteria summarized in the next question. The proposal does not apply to the construction of a second unit or the conversion of an existing structure to condominiums. [NOTE: The proposal is not clear. A cross reference to another definition in the law, raises concerns that the law could also apply to a single-family housing development, mixed use or transitional or supportive housing.]

What restrictions are placed on the location of these housing projects?

1. Urban site: Located on a site that is either immediately adjacent to parcels that are developed with urban uses or for which at least 75% of the perimeter of the site adjoins parcels that are developed with urban uses. The revised version adds “or is bounded by a natural body of water,” which presumably is intended to pick up sites bordering the ocean, lakes and rivers.

2. Prohibited sites: A Project cannot be located on the following sites unless the development incorporates “approved remediation measures.” (A) Prime farmland or farmland of statewide importance; (B) Wetlands; (C) Within a very high fire hazard severity zone; (D) Hazardous Waste site; (E) Within a delineated earthquake fault zone; (F) Flood plain; (G) Floodway; (H) Within an area “determined to be inappropriate for affordable housing development” by the Department of Housing and Community Development based upon “objective criteria” such as lacking in access to public transit, accessibility to employment or educational opportunities, and residentially supportive retail and service amenities.

3. Replacing existing affordable housing: Unless development replaces units at a level of affordability equal to or greater than the level of a previous affordability restriction, the development may not be on any property that is (A) a parcel on which rental dwelling units are, or have been within past 5 years, subject to a recorded covenant that restricts rents to levels affordable to persons and families of lower or very low income; (B) subject to any other form of rent or price control; or (C) occupied by lower or very low income households.

What is a permitted “use by right?”
June 1, 2016

This means that a city may not require a conditional use permit, planned unit development permit, or other discretionary review or approval that would constitute a "project" for purposes of CEQA. [NOTE: This means that approval of a housing project covered by the proposal is not subject to any environmental evaluation under CEQA.]

What is the approval process for a housing project that qualifies for permitted “use by right” review?

Within 30 days of receiving an application, the public official must either approve the development or explain why it is inconsistent with objective planning standards. If the public official fails to respond within 30 days or fails to provide an explanation, project is deemed to be consistent with general plan and zoning standards.

What else is included in the proposal?

- Declaration that the proposal applies to charter cities
- Declaration that it overrides anything to the contrary in the existing law.
- CEQA does not apply to a local government's award of financial assistance to any development that qualifies as a permitted use by right under the proposal.

What criteria must a housing project comply with to qualify for permitted “use by right” review?

A housing project must comply each of the following requirements:

- **Objective planning standards:** Consistent with the following objective planning standards: land use and building intensity designation applicable to the site under the general plan and zoning, or other objective zoning standards, and any setback or objective design review standards in effect at the time the application is submitted.

- **Affordability (TPA):** For developments within a transit priority area\(^2\), subject to a restriction lasting 30 years requiring at least 10% of the units be affordable to lower income households or at least 5% of the units to be affordable to very low income households.

- **Affordability (non-TPA):** For developments outside a transit priority area, subject to a restriction lasting 30 years requiring at least 20% of the units to be affordable to households whose income is 80% or less of area median gross income.

- **Approved remediation measures:** A project is not entitled to use by right if it is located on certain sites (e.g. prime farmland, hazardous waste site, etc.) unless the developer complies with "approved remediation measures." These are measures included in a certified environmental impact report to mitigate the impact of...

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\(^2\) A transit priority area is an area within \(\frac{1}{2}\) mile of a major transit stop that is existing or planned provided the planned stop is scheduled to be completed within the planning horizon included in the Transportation Improvement Program adopted pursuant to Section 450.216 or 450.322 of Title 23 of the Code of Federal Regulations. This is the same definition as is found in PRC 21099.
June 1, 2016

residential development in the location proposed by the project; or uniformly applied development policies or standards that have been adopted to mitigate the impact of residential development in that location.

Comments and Concerns

Unprecedented role for HCD in local land use planning

The proposal authorizes HCD to inject itself directly into local land use authority by adopt regulations that determine areas that are inappropriate for affordable housing development because they lack access to public transit, accessibility to employment or educational opportunities, and residentially supportive retail and service amenities. The term “affordable housing development” is not defined in this measure potentially empowering HCD with even broader authority. A development proposed in an area identified as “inappropriate” will not qualify for “permitted use by right” unless the development incorporates “approved remediation measures.”

No public review

The hallmark of local government land use decisions has been the public hearing. A public hearing (1) allows interested members of the community to inform the decision-makers of their support or opposition to the project; and (2) guarantees that property rights will not be impacted without the “due process of law.”

Excluding the elected decision makers

The proposal excludes the elected city council and board of supervisors from land use decisions. These public officials are elected to represent their constituents and to be available and responsive. The proposal asks appointed staff, who are not directly accountable to local voters, to make the policy decisions: this is the arena reserved for elected officials.

Local governments are already required to approve housing but with public hearings and CEQA review

- Housing Accountability Act (20% lower income; 100% moderate income or middle income; emergency shelter) (Gov. 65589.5)

Must approve a housing project that is consistent with general plan and zoning ordinance unless (1) specific adverse impact on public health or safety; (2) housing is not needed; (3) denial required to comply with state or federal law; (4) project is on land zoned for agriculture or resource preservation.

- “No net loss” (Gov. 65863)

May not reduce the residential density for any parcel unless remaining sites identified in housing element are adequate to accommodate RHNA
June 1, 2016

- Density bonus (Gov. 65915)
  Must award density bonus and other concessions and incentives when development includes 10% lower income, 5% very low income, senior citizen, or 10% for moderate income in common interest development

- Least cost zoning (Gov. 65913.1)
  Must zone sufficient land for residential use with appropriate standards to meet housing needs for all income categories identified in housing element. When land is zoned, then Housing Accountability Act requires approval.

- Second units (Gov. 65852.2)
  Must approve second unit with ministerial review. City may not adopt ordinance that totally precludes second units in residential zones unless specific adverse impacts on public health, safety, and welfare.

- Ministerial approval of multifamily housing (Gov. 65589.4)
  Must approve as a permitted use multifamily housing structure located on an infill site that is consistent with general plan and zoning ordinance in which at least 10% of the units are affordable to very low income households; or at least 20% available to lower incomes; or 50% affordable to moderate income households.

No project specific CEQA review

The proposal requires ministerial review of a housing project if it is consistent with “objective general plan and zoning standards.” CEQA review that is required for both the general plan and zoning ordinance does not extend to the project level. CEQA review that is required for both the general plan and zoning ordinance may have occurred many years before the development application is submitted. Cities and counties will not be able to determine whether site-specific conditions or changed circumstances and new information require environmental mitigation. If for some reason a previous environmental document was helpful in evaluating the project, the bill does not allow a city to impose conditions to require compliance with previously-adopted mitigation measures.

What are “objective zoning standards”?

To be a “permitted use by right,” a development must comply with the location requirements, the affordability requirements, and must be consistent with the following objective planning standards: land use and building intensity, land use and density or other objective zoning standards, and any setback or objective design review standards. Although the second draft of the proposal includes building intensity and density as examples of “objective zoning standards,” it does not otherwise shed light on the meaning of “objective zoning standards.” With the repeated use of the term “objective,” litigation is likely to occur over its purported meaning.

Affordable housing will not remain affordable
June 1, 2016

A housing development must be "required by law to record" a land-use restriction based on (1) a condition of award of funds or financing from a public agency; (2) as a condition of the award of tax credits; (3) as might be required by contract entered into with a public agency. In other words, if a developer does not receive funding for the affordable housing, the housing will not remain affordable.

Breadth of the proposal

The proposal states that it applies "notwithstanding anything to the contrary contained in the law." It is not possible to accurately evaluate the impact of this statement because of its breadth.
Governor’s Revised FY 2016-17 Budget Holds Line on General Fund Spending; Includes $2 billion Homeless Housing Revenue Bond
Requires Non-Discretionary Approval of Affordable Housing to Avoid Perceived Delays Caused by Community Input and CEQA Review

This morning Gov. Jerry Brown began his budget press conference by reiterating his warning that California must prepare for the next inevitable downturn. The Revised FY 2016-17 Budget recognizes that California’s tax revenue forecast has been reduced by $1.9 billion since January caused by sluggish income tax and sales tax revenues. Consequently, while minor adjustments were made to the Governor’s January spending proposals, he proposes no new major General Fund spending.

The Governor warned that California may be dangerously close to the next recession. Consistent with his tendency to incorporate historical references, philosophers, and Latin into his presentations, he passed out to reporters copies of “The Ants & the Grasshopper” from Aesop’s Fables. The message naturally to be inferred from this story is that California must get ready for winter and store up reserves for lean times.

“There are no Halcyon (calm, peaceful) days ahead,” warned Governor Brown. He cautioned that California cannot afford any new spending and still prepare for the economic tide to turn. The state has great revenue volatility with the majority of tax revenues coming from California’s wealthiest residents.

The Governor’s revised FY 2016-17 budget is $173.1 billion, which is a 1.8 percent increase over FY 2015-16. Of that total, $122.2 billion is General Fund, which is an increase of 5.7 percent over the current budget year. Projections for the Rainy Day reserve fund have been reduced. The fund, which currently totals $3.5 billion, was proposed in January to grow to $8 billion. That amount, however, in the revised budget has been reduced to $6.7 billion, reflecting lower projected revenues. The recently enacted minimum wage increase is expected to cost the state an initial $39 million, but that amount is expected to grow to $3.4 billion annually by full implementation in 2023. The Governor also noted that Medi-Cal funding is improved over the next three years thanks to the recent passage of the managed care organization tax.

It is now up to the Legislature to debate the proposal and come up with a refined spending plan for the Governor to approve for the budget year that begins July 1. Details on Governor Brown’s January proposal are outlined in “Governor Releases FY 2016-17 Budget Stressing Fiscal Prudence, Proper Planning for Future Recession,” CA Cities Advocate, Jan. 7, 2016.

Additional details on the Governor’s revised budget are below.

$2 Billion in Homeless Housing Funding

While the Governor rejected Assembly proposals to spend additional General Fund dollars on affordable housing, he endorsed Senate President Pro Tem Kevin de León’s bipartisan proposal to fund housing for California’s chronic homeless using funding from the Mental Health Services Act (Proposition 63). This League-supported “No Place Like Home” proposal would combat homelessness and assist low-income Californians. The proposed FY 2016-17 budget includes an initial expenditure of $267 million from these bond proceeds.
"We have the money. It’s a serious problem, and the Legislature has come up with a thoughtful program," said Governor Brown.

**Public Engagement and Local Approval Process Blamed for Housing Shortage**

Gov. Brown proposes a ministerial, "by-right" land-use entitlement provision for multifamily infill housing developments, which include affordable housing. Under the plan, a local government could not require a conditional use permit, planned unit development permit or other discretionary local government review or approval for qualifying developments that include affordable housing, provided they are consistent with general plan and zoning standards.

While not made clear in the May Revise document, removing local discretion on these decisions and making them "ministerial" also avoids project-level environmental review required by the California Environmental Quality Act (CEQA), since CEQA is only triggered for discretionary governmental decisions.

The budget further indicates the Governor's support for other proposals intended to increase the availability of accessory dwelling units and greater clarity and increased use of the Density Bonus Law. These include SB 1069 (Wieckowski), AB 2299 (Bloom) and AB 2501 (Bloom) — all bills that League opposes because they reduce public engagement and local discretion over housing.

Despite a lengthy description of the alleged problems created by community input in the local development approval process, the May Revise calculates a savings of only 5 percent (page 49) in project costs. Such a low number actually supports a counter argument that the concern may be overblown. Changes caused by design review were assigned 7 percent of project costs, yet having good design (as opposed to taking short cuts on quality) has long been maintained by affordable housing developers as the key to community acceptance of higher density and affordable housing projects.

**Transportation**

**Funding**

The Governor's transportation funding proposal remains the same as his budget release in January. The proposal would provide additional funding for transportation by $3.6 billion annually, a number the Administration has indicated a willingness to negotiate with the Legislature.

If adopted, one-half of the funding ($1.8 billion) would go to cities and counties for street maintenance, complete street projects, public transit and state-local partnership funding projects. Of this amount, $1.01 billion would be allocated by formula for local streets and roads maintenance, $523 million of which will go to cities each year based on population. An additional $100 million would be set aside for a complete streets competitive grant program.

The revenue package would generate $500 million by eliminating the variable gas tax adjustment and setting it to a historical average of 18 cents, indexing the entire gas tax for inflation and would generate $2 billion from a $65 per-vehicle highway user fee. Additional elements include $500 million in Cap-and-Trade revenues, $100 million in Caltrans efficiencies, and $500 million from an 11-cent increase in the diesel tax indexed for inflation (to support the trade corridor enhancement program and other highway and road improvements). The Governor also proposes to speed up repayment of $704 million in transportation-related loans from special funds.

Benefits to investing in roads far exceed the costs to Californians. Although the Administration projects the package will cost vehicle owners approximately an additional $10 per month, these same vehicle owners are paying an average of $762 annually to fix their vehicles due to poor road conditions.

If, however, a funding package is not adopted, transportation revenues are expected to continue to decrease. The California Transportation Commission was recently forced to lower their fund estimate by $754 million because of declining gas tax revenues.
The revise also includes conforming language to make California eligible federal matching freight grant funding under the federal Fixing America's Surface Transportation (FAST) Act.

Motor Vehicle Account Fix

No changes are proposed to the $10 increase to the vehicle registration fee to address an ongoing deficit in the Motor Vehicle Account (MVA) included in the January budget. MVA funds activities of the Department of Motor Vehicles, California Highway Patrol, and Air Resources Board.

Public Works

No changes are proposed on the Administration’s efforts to renew focus on the California Conservation Corps, a program the Governor created in 1976. Here are some of the elements from January:

- $15 million increase from Cap and Trade funds for the Energy Corps Program.
- $5 million for Forest Health Improvement Projects in the highest fire risk areas of the state.
- $2.6 million from the General Fund for a Butte Fire Center.
- $400,000 General Fund increase for residential center site selection evaluation in Pomona, Napa, and Ukiah.
- $19.7 million General Fund increase for renovation at the Auburn Center.

Cap-and-Trade Allocations

The Governor’s May Revise holds firm on his January budget proposal that proposed to allocate $3.1 billion from Cap-and-Trade auction proceeds, which includes the balance of auction proceeds that were not allocated in FY 2015-16. Details on the Cap-and-Trade expenditure plan are below.

Continuous Appropriation (60 percent of annual auction proceeds):

- $500 million for High-Speed Rail Projects.
- $100 million for Low Carbon Transit Operations.
- $200 million for Transit and Intercity Rail projects.
- $400 million for Affordable Housing and Sustainable Communities program.

One-time Appropriation (40 percent of annual auction proceeds in plus balance of FY 2015-16 auction proceeds):

- $400 million for Transit and Intercity Rail Capital Program (See transportation section).
- $100 million for Low Carbon Road Program (See transportation section).
- $500 million for the Air Resources Board’s Low Carbon Transportation Program to provide incentives for low carbon freight and passenger transportation, including rebates for zero emission cars, vouchers for hybrid trucks and zero-emission trucks and other uses.
- $100 million for the Transformational Climate Communities Program to support local climate actions in the state’s top 5 percent of disadvantaged communities. Funding will support projects that integrate multiple, cross-cutting approaches to reduce GHG emissions.
- $100 million for financial incentives for capital investments that expand waste management infrastructure, including new or expanded clean composting and anaerobic digestion.
- $50 million for Urban Forestry programs and urban greening projects.

For a complete summary of the Governor’s Cap and Trade proposal, please see “Governor Releases FY 2016-17 Budget Stressing Fiscal Prudence, Proper Planning for Future Recession,” CA Cities Advocate, Jan. 7, 2016.

Public Safety

Front-Line Law Enforcement Funding
The May Revise does not alter proposed front line public safety funding or local jail funding. The $20 million proposed allocation for police departments remains intact.

New Local Siting Grant Program for Re-Entry Facilities

The May Revision contains more details following a concept described in January to offer a $25 million siting grant program to encourage local communities to approve housing facilitating treatment and re-entry.

Key features include:
- Competitive application process to determine distribution scheme.
- Additional funding for jurisdictions that site transitional housing and supportive service for ex-offenders for a minimum of 10 years.
- Requires portion of funds to be used to increase public safety around the facility and improve communication with neighbors.
- Funding must be shared with nonprofit facility operators to support security, rehabilitative services and community outreach.

Medical Marijuana

- Proposed increase of $5.9 million for Information Technology acquisitions at Department of Consumer Affairs and Department of Food and Agriculture (DFA) related to implementation of Seed-to-Sale Tracking.
- $2 million earmarked for DFA to implement and devise an estimate for the total cost of acquiring tracking system.
- Language to adjust for unknown changes in information technology requirements that crop up during the budget year, requiring expenditure increases.

Office of Emergency Services

Adjustments from the January budget proposal include:
- $30 million increase (General Fund) to the California Disaster Assistance Act funding, supporting local jurisdictions making use of this program to support recovery from natural disasters, including drought, earthquake, tree mortality, wildfires and floods.
- $10 million increase (General Fund) to support implementation of California Earthquake Early Warning System, including funding for research on the necessary technology.

California Emergency Medical Services Authority (Cal-EMSA)

Adjustments from the January budget proposal include:
- $36.1 million (including $8.7 million General Fund) to support Cal-EMSA’s coordination of emergency medical and natural disaster response.
- Cal-EMSA proposes to modify and expand potential uses of three Mobile Field Hospitals purchased by the state in 2007 that have never been used. The mission of these assets will be expanded to include deployment for a broader range of emergencies, including earthquakes, fires, floods, severe influenza outbreaks, virus epidemic, or bioterrorism.

Proposition 47

Since January, the (California Department of Corrections and Rehabilitation) (CDCR) adult inmate population as a result of Prop. 47 increased by 535, from 4,172 to 5,247 during FY 2015-16. The Department of Finance estimates a net savings of $39.4 million, proposed to be allocated in FY 2016-17 as follows:
- $25.6 million (65 percent) to the Board of State and Community Corrections for mental health treatment, diversion programs and substance abuse disorder treatment.
- $9.8 million (25 percent) to the State Department of Education to reduce truancy, improve outcomes for K-12 education and support students at risk of dropping out or who are victims of crime.
• $3.9 million (10 percent) to the Victim Compensation and Government Claims Board to support trauma recovery centers serving crime victims.

The May Revise also highlights several other pre-existing state initiatives to expand substance abuse disorder treatment including intensive outpatient services and residential treatment, pre-enrollment of inmates into Medi-Cal prior to release. Of the 42,600 offenders on active parole in FY 2016-17, 85 percent will be Medi-Cal eligible.

Department of Corrections and Rehabilitation

CDCR's budget is projected at $10.6 billion for department operations. Adult inmate and parolee populations have declined leading to corresponding reductions of over $21 million over FY 2015-16 and FY 2016 fiscal years. Juvenile population has declined as well leading to over $650,000 in reductions over the same period.

Also included within the CDCR budget:
• $4 million for leadership training for CDCR staff.
• $3 million Prop. 98 General Fund for eReader Community College Content (electronic reading devices with textbook content for inmates enrolled in community colleges).
• $2.2 million for Cognitive Behavioral Therapy.
• $3.7 million for Substance Abuse Disorder Treatment.
• $2.3 million for Career Technical Education Programs.
• $4 million for Art in Corrections (proven successful in altering behavior).
• $3.1 million for Innovative Programming Grants (one-time funding expanding nonprofit programs focused on offender responsibility and restorative justice principles).
• $35.9 million for continued implementation of Electronic Health Record System.
• $3.7 million for Internet Protocol Television Integration — allowing CDCR to create necessary infrastructure to all prisons to support television network delivering rehabilitative programming to inmates.

In addition, $24.5 million General Fund and $3 million in Prop. 98 funds would be added to rehabilitation programming for inmates. This would build on a pre-existing allocation of $60 million in the January Governor's Budget to support long-term offenders, community re-entry programs and expansion of substance abuse disorder treatment in prison.

Environmental Quality

Emergency Drought Response

The May Revise would allocate an additional $11.4 million (for a total of $334.5) for emergency drought response, based on current drought conditions. Key allocations include:
• $6 million for grants to local entities, including local governments, for efforts to remove hazardous trees that pose a threat to public health and safety.
• $5 million to support additional miscellaneous equipment and personal for hazardous tree removal.
• An increase of $5 million for the Department of Water Resources to provide emergency drinking water support for small communities, including private wells.
• An increase of $10.4 million for CALFIRE to contract for additional helicopters and seasonal helicopter crews during peak fire season.


Manage and Prepare for Future Droughts

Building off of last year's 23.9 percent statewide water savings, the May Revise proposes to allocate the following for drought preparedness and resiliency for urban water agencies:
• $4.5 million for a coordinated effort by the Department of Water Resources and the State Water Resources Control Board to review and update local water shortage contingency
plans, develop recommendations for new water efficiency targets, and establish a permanent urban water efficiency data tracking system, consistent with the directives of the most recent executive order.

- $1 million for the Department of Water Resources to support local public agencies with formation of groundwater sustainability agencies.

**Department of Toxic Substances Control and State Water Resources Control Board**

The Governor's January budget proposal included $8.2 million for the Childhood Lead Poisoning Prevention Fund for the Department of Public Health to extend services to children who have been exposed to lead. The May Revise augments this effort with the following:

- An increase of $180,000 to upgrade the information technology system to improve lead mapping.
- An increase of $480,000 to prepare guidance documents and engage in outreach to schools to assist local efforts with water quality testing, and support public water systems in improving compliance with federal reporting requirements.

**Enhancing Environmental Justice**

The May Revise seeks to enhance efforts to address environmental justice concerns by allocating the following:

- An increase of $2.3 million for the Air Resources Board (ARB) to support neighborhood air quality monitoring near oil and gas facilities and enhance the ARB emergency response capabilities.
- An increase of $2.3 million for the pesticide air monitoring program.
- An increase of $904,000 to make the pilot Environmental Justice Compliance and Enforcement Working Group permanent. The Working Group will continue reducing adverse environmental impacts in the most vulnerable communities and expand its work to other areas of the state.

**Proposition 39 K-12 Energy Efficiency**

Voters approved Prop. 39 in 2012 to increase state corporate tax revenues. For FY 2013-14 through FY 2017-18, the measure requires half of the increased revenues, up to $550 million per year, to be used to support energy efficiency. The May Revise increases the K-12 allocation by $33.3 million for a total of $398.8 million.

**Community Services**

**Child Care**

The January budget proposal increased funding subsidized child care programs, including an increase of 7,030 slots for full-day State Preschool, a 4.5-percent increase to the Regional Market Reimbursement Rate, and a five-percent increase for license-exempt providers. The May Revise includes an increase of $55.6 million federal funds for child care and development. The total ongoing and one-time federal funding is $648.9 million.

**California State Library**

The May Revise proposes an increase of $505,000 for services, including publications, data subscriptions, and other resources available to the public.

**Next Steps**

This represents an initial analysis by League staff of the Governor's May Revise. In the coming days more information and trailer bill language will become available to enable the details to be examined more closely. The Legislature is expected to send a final budget to the Governor by June 15, which must be signed before July 1.
Gov. Jerry Brown's housing plan could wipe away development rules in Los Angeles and San Francisco

By Liam Dillon

JUNE 2, 2016, 12:05 AM | REPORTING FROM SAN FRANCISCO

Robert Tillman owns a coin-operated laundromat in San Francisco’s Mission District, a neighborhood at the epicenter of California’s housing crisis. Over the last 2½ years, he’s spent nearly $500,000 on plans to tear down the business to build apartments. But although the city has zoned the property for apartments, Tillman hasn’t gotten very far.

Local residents can file a formal complaint to the city to hold up Tillman’s project because they don’t like how it looks, how tall it is or where people will park, starting a chain of appeals leading all the way to the Board of Supervisors. Environmental lawsuits could add years of delay amid exploding demand for new homes in a region with six times as many new jobs and people as housing...
units added from 2010 to 2015, according to a study by the Terner Center for Housing Innovation at UC Berkeley.

“Everything is a negotiation,” Tillman said of trying to build houses in San Francisco. “There’s no single person you can negotiate with who has the ability to make a deal.”

Under a new plan from Gov. Jerry Brown, that dynamic should change. Brown’s proposal would force local governments to approve any urban housing development provided the project matches the underlying zoning and a certain percentage of homes are set aside for the poor, adding some certainty to processes across the state that Tillman and other developers have described as overly complicated.

The governor introduced his proposal as part of his revised state budget last month. Negotiations with lawmakers are now underway, with a final deadline for an enacted fiscal plan to come June 15.

“I do imagine that the citizens of many cities will become unglued when they understand what this will do.”

—Michael Brilliot, a manager in San Jose’s planning department

Experts have said Brown’s plan would fundamentally change how housing gets built in cities like San Francisco and Los Angeles and others that require layers of approval for every large development. The average home price in California is $464,000 — almost 2½ times the national average cost — and academics and economists have cited the state’s extreme lack of housing supply, particularly in coastal cities, as the primary driver.

To spur growth, Brown wants to wipe away local and state rules on parking, height, density and environmental reviews beyond those already required through zoning.

“That kind of micro-managing is a luxury that the state cannot afford at this time,” said Ben Metcalf, Brown’s director of housing and community development.

In cities with significant existing restrictions on housing beyond zoning, the measure’s effects could result in profound changes to the development approval process. In San Francisco, housing projects can face multiple approvals from city officials as they try to address neighborhood concerns about a project’s height, design, parking and affordability, a process put into place after a 30-year-old ballot measure laid down significant community controls over growth. In Los Angeles, a decades-old legal

Gov. Jerry Brown's housing plan could wipe away development rules in Los Angeles and ...

settlement over a proposed shopping center in Westwood has forced developers who want to build
more than 50 units to undergo a lengthy environmental review regardless of the area’s zoning.

These rules, and others like them across the state, could go away if Brown’s legislation passes.

“I do imagine that the citizens of many cities will become unglued when they understand what this
will do,” said Michael Brilliot, a manager in San Jose’s planning department.

Still, Brown’s plan would not create a boom in housing supply that experts say is needed to rein in
costs. The governor’s legislation does not include wholesale reform of the state’s environmental or tax
laws, which could incentivize significant residential growth. It also won’t affect projects that are
bigger than what current zoning allows. For instance, if a developer wanted to build high-rise
condominiums on land planned for bungalows, the project still would require detailed local
government review.

For that reason, Brown’s proposal doesn’t address major development issues such as “spot zoning,”
which occurs when developers attempt to get city councils to rezone land to build larger projects than
previously allowed. Nor is Brown’s plan likely to significantly affect housing in cities like San Diego or
San Jose, where few additional approvals are required as long as projects match their zoning, officials
in both cities said.

State officials have not said how many houses Brown’s proposal could pave the way for, though they
believe qualifying projects will see their costs decrease by 12% if the measure passes. UC Berkeley
researchers have estimated that the measure could create as many as 2,350 units in San Francisco.

Any increase in supply would go toward reducing a big deficit: The nonpartisan Legislative Analyst’s
Office has estimated the state has to build roughly 110,000 units annually beyond those already
planned to keep pace with housing price increases.

Brown’s proposal also addresses a deeper issue central to how development works in California: How
much of a role should the state have in land-use policies, especially during a time of severe housing
affordability concerns?

Some academics argue that greater state and regional control over development results in more
affordable housing and neighborhood diversity. Researchers at UCLA recently found that the more
influence local residents had over zoning, the greater the segregation between rich and poor
communities within cities.
But California already has laws on the books to prevent housing segregation, and local control over development allows neighbors to express real concerns about the future of their communities, said Dan Carrigg, legislative director of the League of California Cities, which opposes Brown’s plan.

Brown’s legislation would speed up housing development, but it would come at the cost of resident input, Carrigg said. He contends those who are opposed to development near them — branded NIMBY or “Not In My Back Yard” by opponents — deserve to be heard.

“If the problem is with a NIMBY, well, that’s a resident, that’s a citizen, that’s a voter,” Carrigg said.

Back in the Mission, Tillman’s situation underscores the complexities involved in local development. Tillman wants to build 73 apartments in eight stories with retail on the ground floor. Most of the units would go to people who could afford the high cost of rent in such a desirable location. A major subway station is within two blocks and top-rated restaurants populate the area.

“If you can’t build housing there,” Tillman said of his property, “you can’t build housing anywhere.”

But the Mission, long home to San Francisco’s Latino community, has seen waves of concerns about gentrification and displacement of longtime residents as housing prices and rents have gone through the roof. The debate reached a fever pitch last year when San Francisco voters rejected a ballot measure that would have restricted new development to projects only for low-income residents.

Tillman is setting aside at least a half-dozen apartments for very low-income residents and said he’s sensitive to the concerns about gentrification.

“I’m not displacing anybody,” Tillman said. “I’m not displacing any business except my own.”

But Erick Arguello, the co-founder and president of Calle 24, a Latino business and neighborhood association in the Mission, said any luxury housing project would contribute to the erasure of the neighborhood’s culture and history.

Arguello said the governor’s proposal, which would ease the way for Tillman’s project and others like it, doesn’t respect that neighborhoods across the city have different needs.

“We really can’t have a cookie-cutter type plan because we’ll lose our diversity in San Francisco,” Arguello said.

Arguello said he supports new housing development in the Mission that would be reserved entirely for low-income residents.
Gov. Jerry Brown's housing plan could wipe away development rules in Los Angeles and ...

Still, even developments that do just that face complaints. Less than a half-mile from Tillman’s project, a developer held a community meeting about a proposed nine-story complex that would create 95 units all for low-income senior citizens. Many neighbors opposed the project, according to a neighborhood news website, voicing concerns about their skyline views.

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ALSO:

This is how California’s governor wants to make it easier to build affordable housing

California doesn’t have enough housing, and lawmakers aren’t doing much about it

Labor unions, environmentalists are biggest opponents of Gov. Brown’s affordable housing plan

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This article is related to: Poverty
Fix Our Roads Coalition – Roadmap to Consensus

The Fix Our Roads (FOR) Coalition - a group of industry, labor, business and governmental associations and organizations - has been engaged for the past year in an effort to address the serious deterioration of our state and local roads and mass transit systems by urging Governor Brown and the Legislature to agree on a plan that would more efficiently use existing transportation dollars and provide new revenue to fix years of neglect. In response to this crisis, Governor Brown has included a plan in his proposed 2016-17 state budget and comprehensive legislation has been introduced by Senator Jim Beall and Assembly Member Jim Frazier. In addition, several Republican legislators have proposed a variety of reforms designed to improve state and local transportation processes. These measures set the framework for the Legislature to come together in support of a consensus solution.

The need for immediate action has become even more critical with this week’s announcement that the California Transportation Commission (CTC) is expected to cut $754 million worth of specific projects from the State Transportation Improvement Program (STIP) and will have to delay another $755 million in STIP work. This will impact $1.5 billion in projects throughout the state because the drop in gasoline prices over the past two years is resulting in the loss of more than $1.1 billion annually in gas tax revenue.

The FOR Coalition has adopted seven priorities for a bipartisan transportation reform and funding package that must be enacted in 2016. These priorities call for a package that: 1) makes a significant investment in transportation infrastructure, 2) focuses on maintaining and rehabilitating our current system, 3) invests new revenue into high priority goods movement, 4) raises revenue across a broad range of options, 5) splits revenues equally between the state and local systems, 6) provides for strong accountability requirements to protect the taxpayers’ investment, and 7) provides consistent annual funding levels.

To encourage a legislative consensus that is consistent with these priorities, the FOR Coalition offers the following transportation reform and funding provisions which have been taken directly from pending proposals in both the Senate and Assembly and the Governor’s proposed transportation plan as a way to meet our urgent transportation infrastructure needs.

Reforms/Other Provisions

• Enact sensible CEQA reforms to expedite transportation project delivery and cost-effectiveness. Potential CEQA reforms for transportation projects could include:
  o Relief for transportation projects in the existing right-of-way;
- Relief for transportation projects within an approved Sustainable Communities Strategy or equivalent plan proven to reduce GHGs and help meet the State’s climate goals;
- Allow the project-level EIR of a transportation project for which a master or program EIR has been prepared to be limited to changed circumstances and new information only;
- Limit environmental review of an approved RTP to the first ten years.

- Create the Office of Inspector General to examine transportation programs for inefficiencies and opportunities to improve best practices in project resource allocation.
- Expand the Federal Exchange and State Match Program to reduce duplicative federal processes and environmental review in addition to state requirements.
- Make permanent current law regarding NEPA Delegation authority.
- Increase the threshold under which the Caltrans encroachment permit process is triggered from $1 million to $3 million.
- Enact an Advanced Mitigation Program.
- Dedicate and constitutionally protect existing and new revenues for transportation.
- Provide for transparency and accountability of expenditures at the state and local levels.
- Require recipient agencies to meet measurable targets for performance or face the loss or suspension of future funding.
- Require cities and counties to adopt a maintenance of effort.
- Require CTC allocation of SHOPP support costs.
- Provide flexibility to the Caltrans Director to make appropriate decisions on contracting out to meet State staffing needs.
- Eliminate the sunset on the authorization of Public Private Partnerships.

Restoring Lost Revenues

- Fully restore truck weight fees for transportation projects over a five year period by returning $200 million annually to transportation accounts which will generate $1 billion annually at the end of five years.
- Reset the price-based gas excise tax rate to its original rate of 17.3 cents which generates an additional $900 million annually and would restore CTC STIP funding cuts and equivalent cuts to city and county road maintenance dollars.
- Repay all existing General Fund transportation loans to the programs from which they were taken by June 2019 – approximately $700 million in one-time revenues.
- Return the portion of the Prop 42 replacement revenues attributable to the sale of fuels for off-highway purposes back to transportation projects (to date, approximately $804 million has been diverted to the General Fund) – approximately $100 million annually.
- Return all non-Article XIX protected funds back to transportation, which are currently being diverted to the General Fund – approximately $65 million a year.
New Revenues

- Increase the gas excise tax by 12 cents to be phased in over three years which will generate $1.8 billion annually in year three.
- Increase the diesel excise tax by 11 cents which will generate $300 million annually.
- Create a road access fee of $65 which will generate $2 billion annually.
- Levy a zero emission vehicle fee of $100 which will generate $10 million annually.
- Invest $500 million in cap and trade auction proceeds.
- Increase the diesel sales tax rate from 1.75% to 5.25% which will generate $300 million.
- Index the base excise tax, the 12-cent base excise tax increase, the price-based gas tax and the diesel excise tax annually.

Allocation of Revenue

- Share the gas excise tax, road access fee, and the zero emissions vehicle fee revenue, including any indexing, evenly between state highways and local streets and roads.
- The revenue from the price-based gas excise tax reset, including indexing, would flow through the existing formula: 44% STIP, 44% LSR, and 12% SHOPP.
- Apply the diesel excise tax revenues to the Trade Corridors Improvement Fund.
- Apply the diesel sales tax revenues to the State Transit Assistance program.
- Allocate $100 million to complete streets and $400 million to the Transit and Intercity Rail Capital Program from the cap and trade funds.

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ESTIMATED ON-GOING ANNUAL REVENUE $4.9 BILLION $6.9 BILLION

In summary, this package is based on proposals already included in the Governor's Budget and in proposals pending before the Legislature. The ball is in the court of our elected officials here in Sacramento. While expressing appreciation to the Governor and the bill authors who have stepped up to offer solutions to the transportation infrastructure crisis, the FOR Coalition calls on all legislators and the Administration to move forward with a consensus package to adequately fund and improve the State's transportation program. Together with the Governor's plan and current legislative proposals, this document provides the basis for that compromise.