



MEMORANDUM

TO: BIASC Governing Board Members

FROM: BIASC Government Affairs Team

RE: Sacramento Budget and Legislative Update

DATE: July 11, 2019

The Legislature adjourned today, beginning their one-month summer recess, returning on August 12th. Today marks the deadline for bills to pass out of policy committee in the second house. When they return in August, they will be focused on the Appropriations Committee deadline of August 30th. Barring a special session, they adjourn for the year on September 13th.

The Legislature was in a frantic rush to pass remaining budget trailer bills to the Governor before they break, as well as pass controversial bills out of Committee to meet the deadline. They are also trying to pass a wildfire utility liability reform bill before July 12th, a deadline imposed by the Governor to keep San Diego Gas and Electric and Southern California Edison from being downgraded to “junk bond” status. The Senate passed it on Monday and the Assembly passed AB 1054 today, sending it to the Governor who is expected to sign in the next few days.

The Assembly also passed to the Governor **SB 307 (Roth)**, aimed at upending the Cadiz project. We joined many groups in opposition. As the opposition mounted, supporters, with the support of Legislative leadership and the Governor, circumvented the process to get the bill to the Governor’s desk before they adjourned for the summer break. He is also expected to sign this in the next few days.

Budget Update:

The 2019-20 State Budget is mostly done, with a few trailer bills being finalized. Our last report focused on the budget detail, however, we were still waiting for the housing trailer bill to be sent to the Governor. On July 5th, the Legislature sent AB 101. This bill has a number of provision to implement the housing portions of the budget. Most notable, the bill seeks to encourage local governments to take the housing crisis more seriously and hold them accountable to provide housing solutions in their housing elements. Details are as follows:

This bill provides for certain judicial remedies for violations of the Planning and Zoning Law. This bill requires HCD to offer the jurisdiction the opportunity for two meetings in person or via telephone to discuss the violation and to provide the jurisdiction written findings regarding the violation prior to allowing the Attorney General to bring suit against the jurisdiction. It then allows the Attorney General to seek, and a court to allow, certain remedies when the court finds that a local jurisdiction is not substantially compliant with housing element law.

This bill requires, if the jurisdiction has not complied with the order or judgement after 12 months, the court to conduct a status conference. Following the status conference, it requires the court to impose fines on the jurisdiction to be deposited into the Building Homes and Jobs Trust Fund. It requires any fine levied to be between \$10,000 and \$100,000 per month. If the jurisdiction fails to comply with the order or judgment after three months following the imposition of fines as described above, it would require the court conduct a status conference. Following this conference, it provides that the court may multiply the fine described above by a factor of three, if the court finds that the fines imposed are insufficient to bring the jurisdiction into compliance with the order or judgement.

This bill also requires that, if the jurisdiction has not complied with the order or judgement six months following the initial imposition of fines, the court conduct a status conference. Upon a determination that the jurisdiction failed to comply with the order or judgement, it permits the court to multiply the initial fines described above by a factor of six, if the court finds that the fines imposed are insufficient to bring the jurisdiction into compliance with the order or judgement. It also allows the court to additionally order remedies available pursuant to Section 564 of the Code of Civil Procedure, under which an agent of the court may be appointed to bring the jurisdiction's housing element into substantial compliance to remedy identified deficiencies. This bill requires that an agent appointed by the court have expertise in planning in California.

This bill allows, in the event that jurisdiction fails to pay fines imposed by the court as described above, the court to require the State Controller to intercept any available state and local funds and direct such funds to the Building Homes and Jobs Trust Fund to correct the jurisdiction's failure to pay. This bill provides that any intercept so ordered not violate any provision of the California Constitution. This bill requires the court to consider whether there are any mitigating circumstances delaying a jurisdiction from coming into compliance with state housing law in determining the application of the remedies described above.

Additionally, this bill creates a "pro-housing policy" incentive scoring system for certain competitive state-funded housing grant programs, including the Affordable Housing and Sustainable Communities program, the Transformative Climate Communities program, and the Infill Infrastructure Grant program. It requires HCD to identify a set of policies identified as "pro- housing," and to designate local jurisdictions as pro-housing based on their adoption of these policies. It requires the departments operating the identified programs to award

jurisdictions designated as pro-housing additional points in scoring their applications for awards from these programs.

This bill also provides for the distribution of \$650 million in funds to assist local governments in addressing homelessness. Specifically, provides that \$275 million be provided to cities with a population greater than 300,000 individuals, \$175 million to counties, and \$190 million to HUD-designated Continuums of Care. Defines each jurisdiction's share of the funds as based on their share of the 2019 Point in Time count of homeless individuals unless a jurisdiction can demonstrate that a significant change in methodology occurred since the last Point in Time count. Defines eligible uses as activities that prevent homelessness, provide support to homeless individuals, and help move homeless individuals to permanent housing. Requires applicants for funds to demonstrate efforts at regional coordination in their application, and to demonstrate how the requested funds will close existing gaps in addressing homelessness. Places certain reporting requirements on jurisdictions receiving these funds.

This bill provides for the division of \$250 million in planning grants between regional governing entities and local jurisdictions. Specifically, this bill provides \$125 million to regional entities and \$125 million to local jurisdictions for technical assistance, preparation and adoption of planning documents, and process improvements to accelerate housing production and facilitate compliance to implement the sixth cycle of the Regional Housing Need Assessment process.

This bill provides for the distribution of \$500 million in grants to fund infrastructure improvements like water, sewer, other utility service improvements, streets, roads, other transit linkages, sidewalks, and other streetscape improvements for eligible cities and counties. This bill provides that \$90 million shall be set aside for an over the counter program for counties with a population of less than 250,000 as of January 1, 2019, or any city within those counties, and \$410 million for a competitive grant program for larger jurisdictions. This bill requires eligible applicants to demonstrate a compliant housing element, be current on submittal of the annual progress report, and show that the infrastructure improvements that will be funded by this Program support housing, which includes a 15 percent affordability requirement.

This bill provides for the allocation of \$500 million in new state low-income housing tax credits for new construction projects that receive the federal four percent tax credit. For these new credits, this bill increases the eligible basis for these projects from 13 percent to 30 percent. It requires at least \$300 million of this to be available to new construction projects receiving the federal four percent tax credit and allows up to \$200 million to be available to projects receiving assistance from the California Housing Finance Agency (CalHFA) Mixed Income Program.

This bill appropriates \$500 million for CalHFA's Mixed Income Program, which provides financing for mixed-income housing developments.

Legislative Update:

SB 330 (Skinner): The Housing Crisis Act of 2019.

This bill restricts for a period of five years, actions by cities and counties that would reduce the production of housing.

The bill passed the Assembly Housing Committee last month and yesterday passed the Assembly Local Government Committee. It should be taken up in the Assembly Appropriations Committee the week of August 12th.

SB 592 (Weiner): The Housing Accountability ACT.

This bill was recently amended to extend protections of the Housing Accountability Act to accessory dwelling units. The purpose is to reduce the opportunity for wasteful conflict by clarifying and strengthening existing law related to litigating housing disapprovals.

CBIA is supporting.

Other priority bills:

AB 48 (O'Donnell): Education Bond

Status: Passed the Senate Education Committee 6-19-19. In Senate Appropriations waiting hearing.

AB 1482 (Chiu) Tenancy rent caps

Status: Senate Judiciary Committee. Heard 7-9-19- passed 6-1 to the Appropriations Committee.

AB 520 (Karla): Prevailing wage and public subsidies

Status: Senate Appropriations Committee 6-24-19 hearing- sent to the Senate Floor- found not to be fiscal.

This bill would set a limit of \$275,000 and 2% of the total cost on the amount of public reimbursement or subsidy a private developer can receive for a project before triggering payment of prevailing wage.

CBIA opposed

We continue to support and coordinate through CBIA on these and other priority bills to pass, stop or fix through the process. We feel we are positioned to strategically engage on these bills, as well as many discussions that will be going on up and until the Legislature adjourns for the year, absent a special session, on September 13th.