



CEAC Land Use Policy Committee

Wednesday, November 29, 2017 | 3:00 pm -4:30pm

CSAC 123rd Annual Meeting

Room 313 | Sacramento Convention Center

1400 J St, Sacramento, CA

Centennial Celebration



AGENDA

Chair, Bob Bronkall, Humboldt County
Vice Chair, Brian Peters, Alpine County
Vice Chair, Carolyn Burke, Santa Cruz County

- 3:00 pm I. **Welcome, Self-Introductions & Opening Remarks**
Bob Bronkall, Chair, Humboldt County
- 3:05 pm II. **2017 Affordable Housing Package**
Chris Lee, CSAC Senior Legislative Analyst
Attachment One: Summary of 2017 Housing Package for Counties
Attachment Two: Housing Funding Bills Summary
Attachment Three: Analysis of AB 879 (Grayson)
- 3:35 pm III. **Rule 20A Update**
Kiana Valentine, CSAC Senior Legislative Representative
Attachment Four: CSAC Letter Supporting Rule 20A General
Conditions Advice Letter
- 4:05 pm IV. **Roundtable Discussion**
- 4:30 pm V. **Adjournment**

LIST OF ATTACHMENTS

- Attachment One..... Summary of 2017 Housing Package for
Counties
- Attachment Two..... Housing Funding Bills Summary
- Attachment Three..... Analysis of AB 879 (Grayson)
- Attachment Four CSAC Letter Supporting Rule 20A General
Conditions Advice Letter

Attachment One
Summary of 2017 Housing Package for Counties



1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327-7500
Facsimile
916.441.5507

To: CEAC Land Use Committee

From: Kiana Valentine, CSAC Senior Legislative Representative
Chris Lee, CSAC Senior Legislative Analyst

Re: Summary of 2017 Housing Package for Counties

The Governor recently signed a package of bills aimed at increasing production of affordable homes. The bills provide direct subsidies for constructing affordable homes, attempt to streamline the housing development process, and provide opportunity to access funding for updating or developing land use plans that encourage affordable housing development. Several bills in the package, however, will require new planning and analysis and increase exposure to litigation. Bills with direct implications to counties are discussed below. The new laws listed below become effective January 1, 2018 unless otherwise noted.

Affordable Housing Funding

SB 2 (Atkins), the Building Homes and Jobs Act, establishes a new \$75 recording fee on real estate transactions (excluding new home purchases) to create a permanent source of state funding for affordable housing (up to \$225 per transaction). The bill is expected to generate approximately \$225 - \$260 million per year in new revenue.

In the first year, half of the funding will go to address the state's homelessness epidemic on a competitive basis with geographic equity and the other half will be available for local governments for updating planning documents, including general plans and community plans. After the first year, seventy percent of funds will be allocated to local governments, ten percent to farmworker housing, and fifteen percent to the California Housing Finance Agency for mixed-income workforce housing. Additional detail on funding allocations is included as Attachment Two.

SB 3 (Beall), the Affordable Housing Bond Act of 2018, places a measure on the November 2018 statewide ballot asking the voters to approve the issuance of \$4 billion in general obligation bonds. \$3 billion will be allocated to funding affordable housing development through existing state programs, all of which include counties as eligible applicants. The additional \$1 billion would be used to recapitalize an affordable homeownership program for veterans that would otherwise run out of capacity in 2018. This portion of the bond funds would be repaid back through veterans' mortgage payments. Additional detail on bond funding allocations is included as Attachment Two.

Changes to Housing Permitting Processes and Legal Review

AB 72 (Santiago) requires the Department of Housing and Community Development (HCD) to review local jurisdictions' General Plans and housing actions to ensure that they comply with state law, with the possibility of reporting violations to the Attorney General and decertifying a local government's housing element. Counties should be aware of this additional legal remedy.

AB 1515 (Daly) specifies that a housing development project or emergency shelter is "deemed consistent, compliant, and in conformity" with an applicable plan, ordinance, or other similar provision if there is substantial evidence that would allow a reasonable person to conclude that the project is consistent, compliant, or in conformity. CSAC opposed the "deemed consistent" automatic approval, which goes too far and upends the accountability for local land use decision-making. Counties should be aware of this new standard when determining whether a development proposal is consistent with local land use rules.

SB 35 (Wiener) would require local governments in jurisdictions where housing production for a particular income category has lagged behind the planned amount set forth in a local housing element to offer qualifying housing development projects a state-mandated process that bypasses discretionary review. Qualifying projects would have to be located in an urbanized area or urban cluster, meet specified thresholds for affordability, and be constructed by a skilled and trained workforce paid prevailing wages, among other requirements. Proposed projects are eligible for streamlined review if they are multi-family developments, include a certain percentage of affordable units, and are not located in a variety of potentially-sensitive environmental contexts.

Counties should review the bill closely to determine which geographic areas zoned for multifamily housing within the county's jurisdiction could be available for the streamlined process required by SB 35 at the developer's request and pending local housing production levels. Counties should also ensure timely submittal of annual housing element reports, which include information on housing production, to HCD, as these reports will be used to determine whether a local agency must offer the streamlined development process. Failure to submit a report will result in a requirement to offer the streamlined process for all eligible multifamily housing projects in any income category. CSAC expects HCD to issue implementing guidelines for SB 35. We will keep counties apprised of any such guidance and provide input on behalf of counties.

SB 166 (Skinner) and AB 678 (Bocanegra) are identical bills that make major changes to the Housing Accountability Act (HAA), including changing the standard of review, in the event of a legal challenge, from "substantial evidence" to "preponderance of the evidence". Counties should be aware of this change, which CSAC expects will be difficult to apply to land use law, when a housing development is denied or conditions are imposed that have the effect of lowering the density of the project.

Counties should be aware of new fine provisions as well as the ability for a judge to increase fines in jurisdictions where housing development has not kept pace with Regional Housing Needs Allocation goals. CSAC and our local government partners ensured that these bills retained the ability of cities and counties to cure a HAA violation before the new fines authorized for non-compliance are imposed.

New Local Planning and Analysis Requirements

AB 879 (Grayson) significantly expands requirements for local jurisdictions to analyze constraints on housing development, including requests to develop housing at lower densities than zoned and length of time to complete permitting, among other requirements. CSAC and other local government groups opposed this bill, which requires future housing element updates to analyze *any* ordinances that directly impact the cost and supply of residential development. Many ordinances could be determined to impact the cost of housing, including critical ordinances like utility infrastructure such as sewer and water connection fees not under the control of local governments; drought requirements; building and fire code requirements like fire sprinklers; lighting; fencing; and, road and other infrastructure improvements. Counties should be prepared to complete required analyses during upcoming housing element updates.

AB 1397 (Low) imposes additional restrictions on the ability of cities and counties to designate non-vacant sites as suitable for housing development and would require all designated sites to have water, sewer, and utilities available and accessible to support housing development. While the latter is an existing requirement, AB 1397 adds new requirements related to analyzing the availability of this infrastructure. Counties should prepare to incorporate this additional analysis when identifying adequate sites to accommodate affordable housing during the next housing element update.

SB 166 (Skinner) mandates that cities and counties implement a rolling adequate sites and rezoning requirement by income level, rather than total units. Although CSAC and local governments agreed that

no jurisdiction should be left with only a few or no sites that can accommodate affordable housing by the end of the housing element planning period, the remedy of continuous rezonings is an extremely onerous requirement. Counties should be prepared to monitor development of non-affordable housing on housing element sites carefully and complete rezonings as needed.

New Tools for Local Government

AB 73 (Chiu) gives cities and counties a new option to encourage housing development by creating a housing sustainability district (HSD). Within an HSD, cities and counties would complete upfront zoning and environmental review, substantially speeding up development approvals, in order to receive incentive payments for development projects that are consistent with the HSD's ordinance. Counties interested in creating a HSD should be aware of several limitations, including requirements for housing to be built by a skilled and trained workforce paid prevailing wages, and a requirement for local governments to repay any state "zoning incentive payment" received by the county if private development does not meet projected goals.

AB 1505 (Bloom) clarifies the Legislature's intent to supersede the holding in the *Palmer/Sixth Street Properties L.P. v. City of Los Angeles* decision, to the extent that the decision conflicts with a local jurisdiction's authority to impose inclusionary housing ordinances on rental projects. As inclusionary requirements are one of the few options cities and counties have to increase affordable rental housing, this is an important clarification. The bill includes new requirements for certain cities or counties that elect to impose an inclusionary requirement exceeding fifteen percent of residential units to complete an economic feasibility analysis of the ordinance, which is subject to review by HCD. New ordinances are also required to include an alternative means of complying, including, but not limited to, in-lieu fees, land dedication, off-site construction, or acquisition and rehabilitation of existing units.

AB 1568 (Bloom) establishes the Neighborhood Infill and Transit Improvements (NIFTI) Act in Enhanced Infrastructure Financing Districts (EIFD) law. It allows EIFDs to receive sales and use and transaction and use taxes to finance affordable housing, and the infrastructure to serve that housing, in infill areas, as agreeable to parties involved. While there are geographic limitations on the availability of this new tool, counties with relatively dense, urbanized areas should examine AB 1568 to determine whether this additional fiscal tool could help support the development of affordable housing units and necessary supporting infrastructure.

SB 540 (Roth) streamlines the housing approval process by authorizing a city or county to establish a Workforce Housing Opportunity Zone (WHOZ) by preparing an EIR and by adopting a specific plan. Once a WHOZ is established, and for five years thereafter, the bill will substantially streamline development and provide certainty for developers by requiring approval of eligible housing developments within a WHOZ within 60 days without requiring the preparation of an EIR or negative declaration under CEQA. Requires at least thirty percent of total housing units within a WHOZ to be affordable to persons or families at or below moderate income. Counties interested in creating a WHOZ are eligible to apply for funding or a loan from the Department of Housing and Community Development to defray planning costs. Counties should be aware of prevailing wage requirements for development constructed pursuant to the tiered environmental review available within the WHOZ.

Attachment Two
Housing Funding Bills Summary



CSAC Analysis of Key Affordable Housing Package Funding Bills

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327.7500

Facsimile
916.441.5507

SB 2 (Atkins) – Building Homes and Jobs Act

Major Provisions

- Would establish a permanent source of funding for affordable housing in the form of a \$75 per document (up to \$225 per transaction) recording fee that would take effect January 1, 2018.
- The fee is expected to generate approximately \$225 million annually for affordable housing programs.
- In consultation with stakeholders, the Department of Housing and Community Development (HCD) may adopt guidelines to implement the measure, including a methodology for allocation of funds.

Allocation of Funds

- Funds collection in calendar year 2018 shall be shared equally between the state and locals.
 - Fifty percent of the funds (approximately \$112.5 million) will be made available to local governments to update planning documents and zoning ordinances in order to streamline housing production, including, but not limited to, general plans, community plans, specific plans, sustainable communities strategies, and local costal plans. Also eligible are CEQA reviews that eliminate the need for project specific review and expedite local permitting.
 - Five percent of the local funding is set aside for technical assistance in updating planning documents provided by the Governor’s Office of Planning and Research.
 - Forty-five percent of the fifty percent will be held by the Department of Housing and Community Development (HCD) until a local government submits a request for use of the funds.
 - The request must include a description of the proposed use of funds in the interest of accelerating housing production.
 - The local agency must have an approved housing element, submit a current annual housing element report as well as an annual report that provides ongoing tracking of the uses and expenditures of any SB 2 allocated funds to HCD.
 - Fifty percent of the revenues (approximately \$112.5 million) are for HCD to assist persons experiencing, or are at risk of, homelessness. This includes rapid rehousing, rental assistance, navigation centers, and new construction, rehabilitation, and preservation of permanent and transitional rental housing.
 - HCD must ensure geographic equity in the distribution and expenditure of funds.
- Funds collected in calendar years 2019 and beyond will be allocated seventy percent (approx.. \$157.5 million) to locals and thirty percent to the state (approx. \$67.5 million).
 - The seventy percent for local governments is allocated as follows:

- Fifteen percent shall be continuously appropriated to the California Housing Finance Agency for the purpose of creating mixed income multifamily residential housing for low and moderate income households.
- Ten percent to be appropriated by the Legislature to be used to address affordable homeownership and rental housing opportunities for agricultural workers and their families
- Five percent to be appropriated by the Legislature to be used for state incentive programs, including loans and grants administered by HCD.

SB 3 (Beall) – the Veterans and Affordable Housing Bond Act of 2018

- Would place on the November 2018 general election ballot a \$4 billion general obligation bond for affordable housing and veterans’ home loan assistance programs.
- Counties are eligible to apply for various programs valued at \$3 billion, including:
 - \$1.5 billion to the Multifamily Housing Program
 - Assist the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households.
 - \$300 million to the Infill Infrastructure Grant Program
 - For Qualifying Infill Projects and large multi-phased Qualifying Infill Projects.
 - \$300 million to the Joe Serna Jr. Farmworker Housing Fund
 - Finance the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households.
 - \$300 million to Local Housing Trust Fund Matching Grant Program
 - Fund competitive grants or loans to local housing trust funds that develop, own, lend, or invest in affordable housing and used to create pilot programs to demonstrate innovative, cost-saving approaches to creating or preserving affordable housing.
 - \$300 million to the CalHome/Self Help Housing
 - Enable low- and very low-income households to become or remain homeowners.
 - \$150 million to the Transit Oriented Development Implementation Fund
 - Low-interest loans are available as gap financing for rental housing developments that include affordable units, and as mortgage assistance for homeownership developments. Grants are available to cities, counties, and transit agencies for infrastructure improvements necessary for the development of specified housing developments, or to facilitate connections between these developments and the transit station.
- The bond would also fund the CalVet Home Loan program, which Assists veterans in purchasing homes and farms. SB 3 provides \$1 billion in tax-exempt veteran’s bonds that are repaid by CalVet loan holders through the payment of principal and interest on their loans.

Attachment Three
Analysis of AB 879 (Grayson)

(Without Reference to File)

CONCURRENCE IN SENATE AMENDMENTS

AB 879 (Grayson)

As Amended July 13, 2017

Majority vote

ASSEMBLY: 69-0 (May 18, 2017) SENATE: 38-0 (September 15, 2017)

Original Committee Reference: **H. & C.D.**

SUMMARY: Makes a number of changes to housing element law, and directs the Department of Housing and Community Development (HCD) to complete a study evaluating the reasonableness of local fees charged to new developments, as defined. Specifically, **this bill:**

- 1) Requires a housing element, in addition to analyzing governmental constraints, to address and, where appropriate and legally possible, remove nongovernmental constraints to the maintenance, improvement, and development of housing, including housing for all income levels and housing for persons with disabilities. The program shall remove constraints to, and provide reasonable accommodations for housing designed for, intended for occupancy by, or with supportive services for, persons with disabilities.
- 2) Requires a housing element's analysis of potential and actual nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels to include:
 - a) Requests to develop housing at densities below those specified in the housing element's analysis of sites zoned at density levels to accommodate the local government's share of the regional housing need;
 - b) The length of time between receiving approval for a housing development and submittal of an application for building permits for that housing development that hinder the construction of a local government's share of the regional housing need; and
 - c) Any local efforts to remove nongovernmental constraints that create a gap between the local government's planning for the development of housing for all income levels and the construction of that housing.
- 3) Requires a housing element's analysis of governmental constraints to also include any locally adopted ordinances that directly impact the cost and supply of residential development.
- 4) Requires the housing element portion of the annual general plan report to be prepared through the use of standards, in addition to forms, adopted by HCD. Eliminates the requirement that the forms and definitions be adopted by the HCD pursuant to the Administrative Procedure Act and would instead authorize HCD to review, adopt, amend, and repeal the standards, forms, or definitions, as provided.
- 5) Requires charter cities to comply with requirements for the submittal of the annual general plan report and adds that the report shall include the following:

- a) The number of housing development applications received in the prior year;
 - b) The number of units included in all development applications in the prior year;
 - c) The number of units approved and disapproved in the prior year; and
 - d) A listing of sites rezoned to accommodate that portion of the local government's share of the regional housing need for each income level that could not be accommodated on sites identified in the housing element's site inventory. This shall also include any additional sites that may have been required to be identified under No Net Loss Zoning law.
- 6) Requires HCD, by June 30, 2019, to complete a study to evaluate the reasonableness of local fees charged to new developments, as defined. Requires the study to include findings and recommendations regarding potential amendments to the Mitigation Fee Act to substantially reduce fees for residential development.
 - 7) Provides that no reimbursement is required by this act pursuant to the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act.
 - 8) Incorporates chaptering amendments with SB 35 (Wiener) and AB 1397 (Low) of the current legislative session to be operative only if these bills are enacted and this bill is enacted last.

The Senate amendments:

- 1) Require the housing element portion of the annual general plan report to be prepared through the use of standards, in addition to forms, adopted by HCD. Eliminates the requirement that the forms and definitions be adopted by the HCD pursuant to the Administrative Procedure Act and would instead authorize HCD to review, adopt, amend, and repeal the standards, forms, or definitions, as provided.
- 2) Require charter cities to comply with requirements for the submittal of the annual general plan report and adds that the report shall include the following:
 - a) The number of housing development applications received in the prior year;
 - b) The number of units included in all development applications in the prior year;
 - c) The number of units approved and disapproved in the prior year; and
 - d) A listing of sites rezoned to accommodate that portion of the local government's share of the regional housing need for each income level that could not be accommodated on sites identified in the housing element's site inventory. This shall also include any additional sites that may have been required to be identified under No Net Loss Zoning law.
- 3) Require a housing element's analysis of governmental constraints to also include any locally adopted ordinances that directly impact the cost and supply of residential development.
- 4) Require HCD, by June 30, 2019, to complete a study to evaluate the reasonableness of local fees charged to new developments, as defined. Requires the study to include findings and

recommendations regarding potential amendments to the Mitigation Fee Act to substantially reduce fees for residential development.

- 5) Incorporate chaptering amendments with SB 35 (Wiener) and AB 1397 (Low) of the current legislative session to be operative only if these bills are enacted and this bill is enacted last.

FISCAL EFFECT: Unknown

COMMENTS:

Background: Every local government is required to prepare a housing element as part of its general plan. The housing element process starts when HCD determines the number of new housing units a region is projected to need at all income levels (very low-, low-, moderate-, and above-moderate income) over the course of the next housing element planning period to accommodate population growth and overcome existing deficiencies in the housing supply. This number is known as the RHNA. The Council of Governments (COG) for the region, or HCD for areas with no COG, then assigns a share of the RHNA number to every city and county in the region based on a variety of factors.

In preparing its housing element, a local government must show how it plans to accommodate its share of the RHNA. The housing element must include an assessment of housing needs and an inventory of resources and constraints relevant to the meeting of these needs. Included in this analysis is an assessment of both governmental and nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the availability of financing, the price of land, and the cost of construction.

Governmental and nongovernmental constraints: Existing law requires the housing element to include an analysis of potential and actual governmental and nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels. The analysis of governmental constraints must include land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures. This bill would require the analysis of governmental constraints to also include any locally adopted ordinances that directly impact the cost and supply of residential development. Nothing under existing law would prevent a local government from providing this information, but this bill would require all local governments to undertake this expanded analysis of governmental constraints.

Existing law requires the analysis of nongovernmental constraints to include the availability of financing, the price of land, and the cost of construction. This bill would also require the analysis of nongovernmental constraints to include information about any requests to develop housing at lower densities below those specified in the housing element's analysis of density levels zoned to accommodate the local government's share of the RHNA, the length of time between receiving approval for a housing development and submittal of an application for building permits for that housing development that hinder the construction of a local government's share of the RHNA, and any local efforts to remove nongovernmental constraints that create a gap between the local government's planning for the development of housing for all income levels and the construction of that housing. Nothing under existing law would prevent a local government from providing this information, but this bill would require all local governments to undertake this expanded analysis of nongovernmental constraints.

Existing law also requires a local government's housing element to address and, where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing. This bill would expand this analysis by requiring the housing element to also address and remove nongovernmental constraints.

Annual general plan report: Existing law requires the planning agency of a city or county, after the legislative body has adopted all or part of a general plan, to provide an annual report to the legislative body, the Governor's Office of Planning and Research (OPR), and HCD that includes various information on the progress and implementation of the general plan. As part of this annual reporting requirement, the planning agency must include a variety of information on the housing element portion of the general plan. Existing law does not require charter cities to submit an annual general plan report.

This bill requires charter cities to comply with requirements for the submittal of the annual general plan report, and adds that the report shall include the following: 1) the number of housing development applications received in the prior year; 2) the number of units included in all development applications in the prior year; 3) the number of units approved and disapproved in the prior year; and 4) a listing of sites rezoned to accommodate that portion of the local government's share of the regional housing need for each income level that could not be accommodated on sites identified in the housing element's site inventory. This must also include any additional sites that may have been required to be identified under No Net Loss Zoning law.

This bill also requires the housing element portion of the annual general plan report to be prepared through the use of standards, in addition to forms, adopted by HCD, and eliminates the requirement that the forms and definitions be adopted by HCD pursuant to the Administrative Procedure Act and would instead authorize HCD to review, adopt, amend, and repeal the standards, forms, or definitions, as provided.

HCD report: Existing law requires HCD to collect, publish, and make available to the public information about laws regarding housing and community development and authorizes the department to provide a statistics and research service for the collection and dissemination of information affecting housing and community development. This bill requires HCD, by June 30, 2019, to complete a study to evaluate the reasonableness of local fees charged to new developments, as defined. The study must include findings and recommendations regarding potential amendments to the Mitigation Fee Act to substantially reduce fees for residential development.

Senate amendments make several additional changes to housing element law, including incorporating provisions from three housing data bills, AB 852 (Grayson), AB 1156 (Ting), and AB 1423 (Chiu) of the current legislative session. The amendments also direct HCD to complete a study evaluating the reasonableness of local fees charged to new developments, and address chaptering out issues with SB 35 (Wiener) and AB 1397 (Low) of the current legislative session.

Attachment Four
CSAC Letter Supporting Rule 20A General Conditions Advice Letter



® October 25, 2017

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327.7500

Facsimile
916.441.5507

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Re: Advice 5166-E - Revisions to Sample Form No. 79-1127, "Agreement to Perform Tariff Schedule Related Work, Rule 20A General Conditions"

The California State Association of Counties (CSAC) submits the following comments in response to the above-referenced advice letter.

CSAC is a non-profit association representing the interests of California's 58 counties. In particular, CSAC is submitting these comments on behalf of our members with respect to the Rule 20A General Conditions advice letter. Rule 20A provides important funding to cities and counties for conversion of existing overhead electric facilities to underground. The projects funded through Rule 20A provide significant benefits to the residents and commercial property owners in the cities and counties in PG&E's territory.

CSAC appreciates PG&E's extensive work with our organization, representatives of individual counties, and other local government representatives through an open and transparent process to revise the Rule 20A General Conditions over the past seven-years. The revised form represents a carefully negotiated compromise that not only provides greater clarity to the roles and responsibilities for Rule 20A projects, but also facilitates project execution and helps reduce the overall timeline for project completion. Moreover, CSAC fully expects that the revised General Conditions and the additional certainty they provide will lead to the immediate implementation of Rule 20A-funded projects and a reduction in the current work credit backlog.

Given the extensive effort undertaken to revise the Rule 20A General Conditions and the significant benefits to the ratepayers, both residential and commercial, that this program provides within PG&E's service territory, CSAC hopes that the revised General Conditions will become effective without delay.

Sincerely,

A handwritten signature in blue ink that reads "Kiana L. Valentine".

Kiana L. Valentine
Senior Legislative Representative
California State Association of Counties

cc: Erik Jacobson, Director, Regulatory Relations, PG&E