



DISCUSSION ITEM

Agenda Item # 11

AGENDA REPORT SUMMARY

Meeting Date: June 9, 2020

Subject: Legislative Update

Prepared by: Chris Jordan, City Manager

Attachment(s):

1. Draft Letter on Housing Legislation, prepared by Councilmembers Bruins and Enander
2. Cities Association of Santa Clara County Housing Position Paper
3. League of California Cities: Blueprint for More Housing 2020 Fact Sheet

Initiated by:

City Council

Previous Council Consideration:

Fiscal Impact:

Not Applicable

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Does the Council want to authorize the Mayor to sign and send the draft letter?

Summary:

- At its meeting of May 26, the City Council discussed proposed housing legislation and directed the Legislative Subcommittee to draft a letter discussing the Cities position.
- To assist the Council's discussion, the Council requested the Housing Position Paper of the Cities Association of Santa Clara County and the League of California Cities Housing Proposal

Recommended Motion:

Move to authorize the Mayor to sign the attached letter.

Reviewed By:

City Manager

CJ

City Attorney

JH

Finance Director

SE

Dear Sen. Hill,

Thank you for your work toward housing solutions in California. Speaking for the City of Los Altos, we especially appreciate the State's recent focus on protecting renters and low-income residents who have been disproportionately affected by the pandemic.

As we try to support our residents and economy through this period, we are concerned about the long-term effects on efforts to diversify the housing inventory. No one could have foreseen that public policy making would be so disrupted, nor that the data and assumptions underlying that policy could so quickly change. We are concerned that the housing legislation carried over from the prior session and that newly introduced does not move us forward in providing more low-income housing, but instead has the perhaps unintended consequences of working against that goal.

We ask you to take a pause in new housing legislation and consider the following:

- There will be multi-year impacts on the state economy and demographics as a result of COVID-10. These are as yet unclear. They will certainly include a change in work-from-home practices and a decrease in business growth that will affect the type and distribution of housing needed going forward. Legislation built on pre-COVID assumptions may be ineffective or even counterproductive.
- Legislation that aims to create more market-rate housing (which seems the intent of most bills) does not allow us to meet our below-market-rate needs and desires; in fact, it works against us. If the RHNA numbers planned under pre-COVID assumptions go forward, the legislation proposed will make it nearly impossible to meet our numbers for below-market-rate housing. Rather, the bills will encourage market rate housing that disproportionately crowds out lower-income units in built-out communities such as ours. Without mechanisms and funding to enable the creation and preservation of affordable units, workers from teachers to grocery clerks will continue to have to live outside our community.
- Even prior to COVID-19, cities throughout the San Francisco Bay Area have struggled to hire and retain staff. The Santa Clara County City Managers Association has been wrestling with this issue for several years. Shelter in place has had additional effects, from shutting down non-essential municipal functions to redirecting resources to help the most vulnerable in our communities. All of this has impacted our ability to

keep pace with legislation already enacted and to expeditiously review and approve the record number of housing projects within our city.

If ever there was a time to take a pause in housing legislation, it is now. We need to assess the effects of COVID-19 and the “new normal” of business operations and growth that will impact housing demand in all forms. We need time to focus on the implementation of the multitude of legislative changes that have occurred in each of the past few years. We need to focus on real solutions for funding below-market-rate housing.

Finally, we are concerned that the package of housing bills will not be adequately vetted for cross-impact with other legislation because of the compressed legislative schedule. The cross-relationships among new bills and recent amendments affecting Density Bonus, Permit Streamlining, Housing Accountability, and ADU creation are not clear in most of the key legislation under consideration. Cities and our residents will not have adequate time to review bills such as SB 995, SB 1120, SB 902, SB 1085, and AB 725 for impact (including unintended impacts that can have the most negative effect). This would not speak well for transparency or effectiveness of our state legislative processes. Without adequate time for such vetting, we are compelled to ask for your opposition to all of these.

While no one can reliably predict the future in the midst of the pandemic, there is universal agreement that COVID-19 will change our lives. Let’s be certain that the well-meaning legislation to improve housing affordability will have the desired effect by deferring action until next year when the future will be more clear.



HOUSING POSITION PAPER

The Cities Association of Santa Clara County (CASCC) is an association of the fifteen cities of the County that works collectively to discuss and find solutions on issues at a regional level.

CASCC recognizes the need for increased housing opportunities for all income category levels, especially for people earning below the area median income. We fully **endorse** local and regional efforts to encourage the production of more housing, preserve and increase subsidized below market rate housing at moderate- and below-income levels, and provide resources and protection to minimize the impact on current residents in rapidly changing neighborhoods. CASCC wants to ensure that their member cities' voices are heard to influence the details of legislation related to housing that are being crafted. CASCC further encourages MTC, ABAG and the State Legislature to collaborate and engage with all cities on proposals to solve this housing deficit; this will allow CASCC to collectively formulate workable solutions to help address the Bay Area's housing needs.

It is the consensus of CASCC that:

- ◆ **We support** legislation that will provide voters statewide with the opportunity to apply a 55 percent threshold for revenue generating ballot measures for investments in affordable housing, and housing production, preservation and protection.
- ◆ **We support** legislation that will return e-commerce/internet sales tax revenue to the point of sale – not the point of distribution as currently mandated – to provide cities that have a significant residential base with a commensurate fiscal stimulus for new housing.
- ◆ **We support** allocation of funds from the Governor, the State Legislature and other sources that will benefit California cities, including a substantial increase in state funding for affordable and workforce housing and to address the growing homelessness crisis in our state.
- ◆ **We support** accessory dwelling units (ADUs) to be considered as part of a jurisdiction's Regional Housing Needs Allocation (RHNA).
- ◆ **We support** incentives for cities to increase the production of new accessory dwelling units and to streamline the entitlement of those ADUs.
- ◆ **We support** equitable distribution of housing among all cities and counties regardless of population.
- ◆ **We support** removing barriers to planning complete communities, ensuring that adequate resources are available for new schools and parks to serve our growing population.
- ◆ **We support** additional transportation investments to expand the Bay Area transit network that provide connections from job centers to existing housing, as well as planned future housing.

- ◆ We support establishing tenant protections as cities deem appropriate for their residents.
- ◆ We support “affirmatively furthering fair housing”.
- ◆ We support maintaining local control of the entitlement process. We urge the State to recognize that cities control entitlements, while developers build. Cities should therefore primarily be measured by entitlements when calculating RHNA attainment, and not penalized when funding is inadequate to build affordable housing.
- ◆ We support the creation of policies and emergency relief efforts to keep people in their homes during a publicly declared emergency.
We support ABAG, an elected body, to serve as the governance structure that administers new affordable housing funds and monitors housing production rather than establishing yet another agency to take on that role.
- ◆ We oppose a one-size-fits-all approach to housing densities and land-use decision-making.
- ◆ We oppose any diversion of existing revenue sources from cities.

Cities in Santa Clara County are actively addressing the housing shortageⁱ:

- ✓ All 15 cities have State-approved plans for new housing growth.
- ✓ Permits for 30,000 new residential homes have been approved since 2015, which represents over 50% of the state’s housing goal for Santa Clara County of 58,836 new homes by 2023.
- ✓ Over 6,000 new residential units were approved in Santa Clara County in 2018.
- ✓ Santa Clara County voters increased local taxes to support \$950 million in affordable housing funds. As of 2018, \$234 million has been invested for 1,437 new multi-family units and 484 rehabilitated units.

Finally, CASCC is available and ready to continue to be a partner and leader in finding workable solutions to solve this housing crisis.

ⁱ Information based on data available in 2019.



BLUEPRINT FOR MORE HOUSING 2020

LEAGUE OF CALIFORNIA CITIES

California cities — committed to being part of the solution to our housing crisis

Cities lay the groundwork for housing by planning and zoning new projects in their communities, but there are not enough homes being built in California. That is why the League has developed a bold proposal that, if fully implemented, will lay the foundation for the immediate production of much needed housing across all income levels and consists of near-term and longer-term actions to provide homes for Californians today and tomorrow.

New funding to support needed affordable housing and essential infrastructure

NEAR-TERM ACTION

The League's housing production proposal includes new long-term funding to support the construction of affordable housing and essential infrastructure. Without a source of reliable, ongoing funding that matches the scale of the problem, little will be done to produce new affordable housing units. The following pending bills could be a source of the funding:

- SB 795 (Beall) Affordable Housing and Community Development Investment Program — a measure that would restore a robust property tax-based financing mechanism focused on building affordable housing and infill infrastructure, providing up to \$2 billion annually.
- ACA 1 (Aguiar-Curry) Affordable Housing and Public Infrastructure. Voter Approval — a measure that would allow voters to lower the vote approval threshold from two-thirds to 55 percent for local general obligation bonds, sales taxes, or parcel taxes that invest in affordable housing and infrastructure.

Cities will take immediate actions to help spur production

NEAR-TERM ACTION

More than new funding will be necessary to produce housing units at the scale needed. That is why the League also supports requiring cities to take some of the following immediate actions (already adopted actions would qualify) designed to help spur housing production. In order to ensure cities retain flexibility to best meet their local needs and conditions, they would choose from a suite of actions, including but not limited to the following:

- Adopt an Accessory Dwelling Unit (ADU) ordinance
- Streamline housing approval processes
- Establish a Workforce Housing Opportunity Zone (WHZO) or a Housing Sustainability District
- Develop objective design review standards
- Reduce development fees
- Adopt an inclusionary housing ordinance
- Establish a local housing trust
- Restrict demolition of existing housing stock
- Allow up to fourplexes in single-family zones
- Increase allowable heights and densities
- Adopt transit-oriented development (TOD) plans
- Reduce parking requirements
- Adopt tenant protections
- Establish an Enhanced Infrastructure Financing District (EIFD) or a similar financing tool

Reduce existing barriers beyond local government control

NEAR-TERM ACTION

There are numerous barriers to housing production. Many of these barriers are well beyond the control of local governments and have significant impacts on what types of, and how many, housing units are built. The League is committed to working with all stakeholders to address the following barriers to help accelerate housing construction:

- Construction costs
- New building codes
- CEQA costs and delays
- Financing

Cities will prioritize housing density and strategic site identification through the RHNA process

LONGER-TERM ACTION

The latest cycle of the Regional Housing Needs Allocation (RHNA) and associated Housing Element update process is currently underway. All cities and counties, on a staggered schedule, must update their housing planning documents to include their new housing unit allocations by early 2024. It has become clear that nearly all communities will receive a much higher housing unit allocation than they received in the last RHNA cycle.

To accommodate the much higher RHNA allocations and align local planning documents with state priority development areas, the League supports requiring cities to prioritize housing density and housing site identification near key transit infrastructure, downtown areas, and commercial corridors. The League also supports that cities need to accommodate as much of their housing unit allocation in these areas before other locations are considered.

Partner with the League today for more housing tomorrow.

We need a housing production bill that includes consensus solutions that will effectively address our housing affordability crisis. Both short and longer-term strategies are needed to spur housing construction across the state, supported by a long-term funding source. California's cities remain committed to carrying out those strategies built on civic engagement and community input, while simultaneously working to meet California's housing needs.

