

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

AGENDA

LEGISLATION AND GOVERNMENTAL ORGANIZATION COMMITTEE

Thursday, July 20, 2017, 3:30 p.m. to 5:00 p.m.

Location:

Bay Area Metro Center
Board Room
375 Beale Street
San Francisco, California

Committee Members:

Scott Haggerty, Supervisor, County of Alameda—*Chair*
David Cortese, Supervisor, County of Santa Clara—*Ex officio*
Dave Hudson, Vice Mayor, City of San Ramon
Karen Mitchoff, Supervisor, County of Contra Costa
Julie Pierce, Councilmember, City of Clayton—*Ex officio*
David Rabbitt, Supervisor, County of Sonoma—*Ex officio*
Greg Scharff, Mayor, City of Palo Alto

Committee Staff:

Randy Rentschler, Director, Legislation and Public Affairs

The ABAG Legislation and Governmental Organization Committee may act on any item on this agenda.

Agenda and attachments available at <http://abag.ca.gov/meetings/legislation.html>

This meeting is scheduled to be webcast live at <http://abag.ca.gov/meetings/legislation.html>

For information, contact Fred Castro, Clerk of the Board, at (415) 820 7913.

1. CALL TO ORDER / ROLL CALL / CONFIRM QUORUM

2. PUBLIC COMMENT

INFORMATION

3. COMMITTEE ANNOUNCEMENTS

INFORMATION

ABAG Legislation and Governmental Organization Committee

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4. OVERVIEW AND INTRODUCTIONS

INFORMATION

Steve Heminger, MTC Executive Director

5. APPROVAL OF ABAG LEGISLATION AND GOVERNMENTAL ORGANIZATION COMMITTEE SUMMARY MINUTES OF MEETING ON MAY 18, 2017

ACTION

Attachment: Summary Minutes of May 18, 2017

6. OVERVIEW ON GOVERNOR BROWN'S 2017-2018 STATE BUDGET

INFORMATION

Rebecca Long, MTC Government Relations Manager

Attachments: State Budget Memo; Attachment A

7. UPDATE ON KEY LEGISLATION

INFORMATION/ACTION

Rebecca Long, MTC Government Relations Manager

Attachments: Legislation Update Memo; Legislation Summary Matrix; Memo Cap and Trade Update; Memo Federal FY 2018 Transportation and Housing Appropriations

8. ADJOURNMENT

The next regular meeting of the ABAG Legislation and Governmental Organization Committee is on September 21, 2017.

Submitted:

/s/ Randy Rentschler
Director, Legislation and Public Affairs

Date Submitted: July 6, 2017

Date Posted: July 13, 2017

SUMMARY MINUTES (DRAFT)

ABAG Legislation and Governmental Organization Committee Meeting
Thursday, May 18, 2017
Bay Area Metro Center
Board Room
375 Beale Street
San Francisco, California

1. CALL TO ORDER / ROLL CALL / CONFIRM QUORUM

ABAG Legislation and Governmental Organization Committee Chair Scott Haggerty, Supervisor, Alameda County, called the meeting of the Legislation and Governmental Organization Committee of the Association of Bay Area Governments to order.

A quorum of the Committee was present.

Members Present

Chair, Supervisor Scott Haggerty, Alameda County
Councilmember Julie Pierce, ABAG President, City of Clayton
Vice Mayor Dave Hudson, City of San Ramon
Supervisor Karen Mitchoff, Contra Costa County
Supervisor David Rabbitt, ABAG Vice President, Sonoma County
Supervisor David Cortese, Santa Clara County
Mayor Greg Scharff, City of Palo Alto

ABAG Staff

Brad Paul, Deputy Executive Director, Local Government Services
Duane Bay, Assistant Planning and Research Director
Halimah Anderson, Communications Officer
Jenny Berg, Principal BayREN Program Manager
Fred Castro, Executive Assistant/Clerk of the Board

MTC Staff

Rebecca Long, Government Relations Manager
Georgia Gann Dohrmann, Associate Government Relations Manager

2. PUBLIC COMMENT

No comments were reported.

3. COMMITTEE ANNOUNCEMENTS

No announcements were made.

4. APPROVAL OF MINUTES OF MEETING ON APRIL 20, 2017

Vice Mayor Hudson made a motion to approve the minutes. The motion was seconded by Councilmember Julie Pierce. The meeting minutes were approved (7-0).

5. REPORT ON NEW BILLS

Duane Bay, ABAG Assistant Planning and Research Director provided an overview on AB 494 (Bloom) Land use: accessory dwelling units and SB 167 (Skinner) Housing Accountability Act.

Following the staff report, the committee voted to take a watch position on AB 494 (Bloom) (7-0).

The committee voted to oppose SB 167 (Skinner), the Housing Accountability Act. Both the League and CSAC oppose the bill. The bill would alter the burden of proof for the denial of a housing project. SB 167 would make significant changes to the Housing Affordability Act with new terms and definitions; broaden the ability to sue local governments, and increase fines on local governments (7-0).

6. REPORT ON MTC AND ABAG JOINT HOUSING PRINCIPLES

Rebecca Long, MTC Government Relations Manager discussed the MTC and ABAG Joint Housing Principles and noted that the MTC Legislation Committee did not move to approve the principles.

Councilmember Pierce recommended the ABAG L&GO Committee not move to approve the principles. Pierce noted the principles do not touch on all aspects of all of the bills. The principles are good guidelines, but specific bills need to come back before the committee.

Mayor Scharff noted that the committee needs to focus on bills that incentivize governments to build housing versus focusing on penalties for not building.

Supervisor Rabbitt noted that the Governor sees housing as a local problem to solve.

Following discussion, the committee voted not to support the housing principles (7-0).

7. REPORT ON AB 686 (SANTIAGO) HOUSING DISCRIMINATION: AFFIRMATIVELY FURTHER FAIR HOUSING

Georgia Gann Dohrmann, MTC Associate Government Relations Manager presented an overview on AB 686. She noted that MTC's Legislation Committee recommended an Oppose Unless Amended position on the bill.

Councilmember Pierce noted it is important for housing decisions to be made at a local level. Pierce recommended opposing the bill.

Scharff noted that it would be better if this bill mirrored the existing federal law regarding Fair Housing.

The committee voted to oppose AB 686 (7-0).

8. REPORT ON AB 1088 (EGGMAN) MULTIFAMILY RESIDENTIAL HOUSING: ENERGY PROGRAMS

Jenny Berg, ABAG Principal BayREN Program Manager presented AB 1088 (Eggman), the Multifamily residential housing/energy bill and recommended a support position. She noted that it would help lower utility bills for low income households and support development of strategies for water and energy efficiency.

The committee voted unanimously to support AB 1088.

9. REPORT ON LEGISLATION—BILL STATUS UPDATE

Brad Paul, ABAG Acting Executive Director presented additional legislation that staff are currently tracking and asked the committee if they had specific questions on any of the bills.

The committee voted to oppose AB 71 (Chiu) Income taxes credits for low-income housing because the source of funding would come from eliminating the 2nd home mortgage tax deduction.

The committee also voted to oppose AB 1585 (Bloom) Planning and zoning: affordable housing: single application.

A request was made for information on AB 1250 (Jones-Sawyer) regarding contract services for local governments.

A request was made for more information on SB 435 (Dodd) to be provided at the next committee meeting.

The committee voted to support AB 184 (Berman) Sea level rise planning: databases.

10. REPORT ON LEGISLATIVE WORKSHOP AND RECEPTION—HIGHLIGHTS

11. ADJOURNMENT

The next meeting of the ABAG Legislation and Governmental Organization Committee will be on July 20, 2017.

Date Submitted: June 30, 2017

Date Approved:

For information, contact Fred Castro, Clerk of the Board, at (415) 820-7913 or FredC@abag.ca.gov.

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ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



TO: Legislation and Governmental Organization Committee

DATE: July 7, 2017

FR: Executive Director

RE: Fiscal Year (FY) 2017-18 State Budget Update

Summary

On June 27, 2017, Governor Brown signed AB 97 (Ting), the FY 2017-18 State Budget Act. The budget authorizes \$125 billion in General Fund expenditures and assumes \$128 billion in total General Fund resources for FY 2017-18, an increase of \$6 billion over FY 2016-17. The budget continues to fully fund existing programs and commitments; fully funds transportation investments authorized by Senate Bill 1 (Beall, 2017); increases state investment in healthcare, education and social services; and builds the state's reserve funds, bringing total reserves to \$10 billion by the end of FY 2017-18. This memo summarizes the housing, economic development, climate change and resiliency portions of the State Budget.

Housing and Economic Development

The State Budget does not include significant new funding to address California's ongoing affordable housing crisis. This is consistent with Governor Brown's message that he will only support increased state funding for affordable housing if the Legislature also passes legislation to reduce building costs. Of note, numerous housing reform and housing funding bills are still pending in the Legislature. Also related to housing and economic development, the state government budget trailer bill (SB 106) included a provision extending the sunset date of statutes exempting Marin County from meeting certain housing density requirements from 2023 to 2028. SB 106 also authorizes the Department of Housing and Community Development to adopt guidelines to guide the allocation of federal Small Cities Community Development Block Grant funds, including funds set aside for economic development purposes. SB 106 is on the Governor's desk for signature.

Transportation

As expected, the State Budget increased funding levels for transportation by \$2.8 billion pursuant to SB 1, the Road Repair and Accountability Act of 2017. This includes \$400 million statewide in new competitive grant funding for projects to reduce congestion and improve goods movement along major corridors and a \$1.4 billion increase in local allocations – including funding for local streets and roads, transit, state/local partnership, bicycle and pedestrian improvements, and local planning grants. Also as part of the budget package, Legislature adopted more than a dozen trailer bills, including AB 115 which deals primarily with SB 1 implementation and SB 103, another budget trailer bill addressing advance mitigation and the freight program authorized by SB 1. Those two bills are further summarized in Attachment A.

Climate Change and Resiliency

Cap and Trade

The State Budget did not contain a proposal to extend cap-and-trade or allocate future auction proceeds, rather it provides bare-bones funding for staff support at the Air Resources Board (ARB). In January, the Governor proposed allocating cap-and-trade funds contingent on the Legislature confirming — with a two-thirds vote in each house — the ARB's authority to administer the cap-and-trade program beyond 2020. This legislative action has not yet occurred, though negotiations on this vote are ongoing.

Agricultural Protection Planning Grant Program

The resources trailer bill (SB 92) revises the purpose of the Agricultural Protection Planning Grant Program to incorporate climate change goals and increase grant limits by \$250,000, up to \$750,000.

Flood Control and Dam Safety

The resources trailer bill (SB 92) requires dams, except low-risk dams, to have emergency action plans that are updated every ten years and updated inundation maps at least every ten years. The budget agreement also provides the Department of Water Resources (DWR) with additional enforcement tools. In addition, the budget agreement provides additional funding for delta levee subventions in the Central Valley.

Water Conservation and Drought

The final State Budget decreases appropriations for drought response from levels proposed in the Governor's January budget, given the end to the statewide drought. In addition, the Legislature rejected the Governor's proposed trailer bill language on long-term water conservation. The bill would have required the State Water Resources Control Board (SWRCB) to establish long-term urban water use efficiency standards by May 20, 2021 and authorized SWRCB to enforce the adopted regulations in the same manner they have employed for emergency conservation during the drought.



Steve Heminger

Attachments

- *Attachment A: Fiscal Year 2017-18 State Budget and Transportation Trailer Bills*

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Fiscal Year 2017-18 State Budget and Transportation Trailer Bills (AB 115 and SB 103)

Active Transportation Program (ATP) and Conservation Corps Set-Aside

AB 115 allows ATP project sponsors to expend their own funds in advance of receiving an allocation, making the project eligible for future reimbursement. The budget also sets aside for five years \$4 million per year from ATP for California Conservation Corps active transportation projects.

SB 1 Cleanup and Project Delivery: Riverside County Transportation Commission (RCTC)

AB 115 makes a number of technical amendments to SB 1 and clarifies that Caltrans or the California State Transportation Agency may only finalize SB 1 guidelines after a minimum of two public workshops or hearings and after draft guidelines have been posted for at least 30 days. The bill also includes various project delivery provisions to support the acceleration of transportation projects, specifically the five Riverside County Transportation Efficiency Corridor projects funded through SB 132 – the SB 1 companion bill that included several earmarks. Those measures include expanding the Caltrans pilots for Construction Manager/General Manager (adds 12 projects, with two reserved for RCTC) and Design-Build on local streets and roads (adds six projects with three reserved for RCTC; expands eligibility to include bridge replacement and railroad grade separations).

Contra Costa County Transportation Agency (CCTA) Expanded Autonomous Vehicle Testing

The budget appropriates a \$3.5 million grant to CCTA for the use of planning, construction and operations of an expanded autonomous vehicle (AV) testing facility. The goal of the grant is to support safe AV testing, expand AV-related economic development opportunity in California, and provide public access to testing and research data to guide future policy development related to AVs.

Modifications to New Zero-Emission Vehicle (ZEV) Charge

AB 115 exempts from the SB 1-authorized \$100 annual zero-emission registration fee vehicles issued a temporary permit and excludes from the definition of ZEV “flex fuel” vehicles those eligible to be operated on alternative fuels such as ethanol or compressed natural gas. Also related to ZEVs, the budget bill authorizes Caltrans to expend up to \$20 million from the State Highway Account (matched with up to \$20 million in federal funds) on ZEV charging infrastructure.

SB 103: New Trade Corridor Funding from SB 1 Would Be Administered by CTC

SB 1 created a new Trade Corridor Enhancement Account funded at approximately \$300 million annually. In an unusual move, the bill left the Legislature full discretion over project selection. Modeled on AB 2170 (Frazier), which was introduced last year and supported by MTC, SB 103 would provide instead that projects be selected by the California Transportation Commission (CTC) through a program similar to the Proposition 1B-authorized Trade Corridor Improvement Fund (TCIF). Federal freight funds would also be expended through this program. CTC would reserve 60 percent of the program funds for projects nominated by regional transportation agencies and other local agencies, with the remaining funds allocated to projects nominated by Caltrans. To be eligible, projects must be included in a regional transportation plan. The CTC would give preference to projects jointly nominated and funded by state and local agencies. Project eligibility would be broad but would exclude fully automated cargo handling equipment.

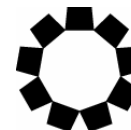
SB 103: Advance Mitigation Program and Workforce Development Details Added

SB 1 also provided \$30 million per year for four years for an Advance Mitigation Program, but did not include details on the program. SB 103 would authorize Caltrans or other transportation agencies to purchase mitigation credits for planned transportation improvements, excluding high speed rail-related projects. The applicable agency would be required to reimburse all advance mitigation-related costs at the time the transportation project is constructed. Caltrans would be required to track projects utilizing the program and submit a report to the Legislature.

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ASSOCIATION OF BAY AREA GOVERNMENTS

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ABAG

TO: Legislation & Governmental Organization Committee

DATE: July 7, 2017

FR: Executive Director

RE: Legislation Update

California lawmakers face a busy couple of months as they debate and vote on bills before the September legislative deadlines. In response to the statewide housing crisis, the Legislature is considering bills that address two sides of the housing challenge: Funding for affordable housing and revisions to the current development and local approval processes to encourage housing production. This dual approach neglects Governor Brown's repeated statements that he will only support increased housing funding if the Legislature also sends to his desk "reform" legislation to reduce the cost of building new housing.

This memorandum provides an update on key housing bills under consideration this session, as well as other legislation on which ABAG has taken positions or requested additional information. Staff will provide an update at your meeting since their status may have changed by that time. The attached Legislative Summary Matrix includes information on all bills ABAG is currently tracking.

Housing Funding and Reform

SB 3 (Beall) — Affordable Housing Bond Act

SB 3 would authorize a \$3 billion statewide housing bond, subject to voter approval. The bill would boost funding for existing state affordable housing programs, including programs that support the creation and preservation of affordable housing, local matching grant incentives, and infill development. ABAG supports this bill and it is under consideration in the Assembly Housing and Community Development Committee.

SB 2 (Atkins) – The Building Jobs and Homes Act

SB 2 would create a permanent state revenue stream for affordable housing funded through a new \$75 document recording fee on certain real estate transactions, excluding home sales. Funding would be appropriated for a range of affordable housing purposes including preservation and creation of affordable housing; funds to match resources directed to local and regional housing trust funds; grants to local agencies to assist in planning to accelerate housing production; and fiscal incentives or matching funds to local agencies that approve new housing for low-income households. ABAG is watching this bill, which was passed by the Senate on June 6 and is pending referral in the Assembly.

AB 71 (Chiu) — Income taxes: credits: low-income housing: farmworker housing.

AB 71 would increase state investment in affordable housing by augmenting the state low-income housing tax credit (LIHTC) program by \$300 million annually. It is estimated that this could leverage up to \$1 billion in new federal resources and create 3,000 affordable homes annually. AB 71 would fund this investment by eliminating the state mortgage interest deduction on second homes and directing the resulting General Fund savings to the LIHTC program. ABAG opposes this bill. It is currently in Assembly Third Reading but is still active given the bill's urgency provision.

SB 35 (Wiener) — Planning and Zoning: affordable housing approval process.

SB 35 would create an expedited approval process for certain housing projects located in jurisdictions that have not achieved housing production goals, as identified by the jurisdiction's regional housing needs assessment (RHNA). Qualified projects would be required to receive ministerial approval, and could only be denied permitting if the project does not comply with certain local design standards and specified affordability, density, historic, environmental and prevailing wage requirements. The bill would also ease parking minimums for qualified projects. At this stage, it appears that SB 35 is the most likely bill to advance this session that meets the Governor's criteria of reducing the housing production cost. ABAG is watching this bill and it is currently in the Assembly Housing and Community Development Committee.

AB 73 (Chiu) — Planning and Zoning: housing sustainability districts.

AB 73 would create incentive payments from the state to local governments that voluntarily create "housing sustainability districts" in which housing projects are subject to ministerial approval, or permitted "by-right" and subject to prevailing wage. The districts would be required to meet minimum affordability (20 percent) and density zoning criteria. Incentive payments would be issued in two stages: first, following the creation of a new district and second, once the city permits new housing units. ABAG is watching this bill and it resides in the Senate Environmental Quality Committee.

Transportation and Land Use Planning

AB 686 (Santiago) — Housing discrimination: affirmatively further fair housing.

This bill would extend the federal fair housing regulations to councils of governments (COG) and the development of the sustainable communities strategy, such as *Plan Bay Area 2040*. While having a laudable goal of addressing the important issue of fair housing, it could expose COGs to litigation over land-use matters outside their control. Cities and counties have jurisdiction over land use and housing investment strategies, and therefore it makes sense for them to continue to be responsible for fair housing compliance. ABAG opposes AB 686, which is now a 2-year bill.

Climate Protection and Planning

AB 18 (Garcia) — California Clean Water, Climate, and Coastal Protection, and Outdoor Access for All Act 2018.

This bill would place a general obligation (GO) bond, known as the California Parks, Water, Climate, and Coastal Protection and Outdoor Access for All Act on the June 2018 Ballot. If approved by voters, it would authorize issuance of \$3.1 billion in General Obligation bonds to finance parks, water, climate, adaption, coastal protection and outdoor access programs. Local governments would receive \$425 million for park rehabilitation and improvement grants on a per capita basis, with 60% of the funds allocated to cities and 40% directed to counties, with each jurisdiction receiving a minimum of \$200,000. Another \$900 million would be reserved for grants to park-poor communities, allocated in accordance with the Statewide Park Development and Community Revitalization Act of 2008 (AB 31, De León). ABAG supports this bill. It is currently in the Senate Natural Resources Committee.

AB 184 (Berman) — Sea level rise planning: databases.

This bill would extend to 2023 the requirement for the Natural Resources Agency, in collaboration with the Ocean Protection Council, to create, update biannually, and post on an Internet Web site a Planning for Sea Level Rise Database describing steps being taken throughout the state to prepare for, and adapt to, sea level rise. ABAG supports this bill. It is currently on the Senate Floor.

AB 1433 (Wood) — Climate Adaptation and Resilience Based on Nature Act.

This bill would create the Climate Adaptation and Resilience Based on Nature Account in the Greenhouse Gas Reduction Fund (the account which receives Cap-and-Trade funds) and would transfer, beginning in the 2017–18 fiscal year, 20% of the annual proceeds to the account. Funds would be available to the Wildlife Conservation Board for grants to protect and improve the resilience of natural systems and reduce emissions of greenhouse gases. ABAG is watching this bill. It is currently in the Senate Environmental Quality Committee.

AB 890 (Medina) — Local land use initiatives: environmental review.

An earlier version of this bill required environmental review of all proposed local initiatives and restricted proposed initiative ordinances, which may result in direct or indirect environmental impacts, from being placed on the ballot. It was recently amended to prohibit any changes to land use policy from being made through the initiative process. AB 890 is a significant departure from current practice and law as it substantially limits the initiative process. ABAG opposes this bill. It is currently in the Senate Rules Committee.

Local Government

AB 1250 (Jones-Sawyer) — Counties: contracts for personal services.

This bill would prohibit a county from contracting for personal services traditionally performed by that county's employees unless certain findings are met. This measure would establish burdensome contract procurement and renewal requirements for 57 of California's 58 counties (excludes San Francisco because it is a city and county). In addition, the bill creates hurdles for contractors, including non-profits, community based organizations, and private service providers that would stymie a county's ability to partner with the most effective entity to perform the job. ABAG has not taken a position on this bill. It is currently in the Senate Government and Finance Committee.

SB 435 (Dodd) — Williamson Act: payments to local governments.

Senate Bill 435 would reestablish subvention payments to local governments to support the protection and preservation of agricultural land, including entering into contracts with property owners that restrict their land to agricultural, open space, and compatible uses. ABAG is currently watching SB 435, which is now a two-year bill.



Steve Heminger

Attachment:

Legislation Summary Matrix

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ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Bay Area Metro Center
375 Beale Street, Suite 700
San Francisco, CA 94105
(415) 820-7986

Website: www.abag.ca.gov/meetings

LEGISLATION SUMMARY 2017 State Legislative Session Legislation & Governmental Organization Committee July 18, 2017

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
AB 18 (Garcia)	Amended 2/23	Senate Natural Resources 6/28	California Clean Water, Climate, and Coastal Protection and Outdoor Access for All Act of 2018. Under existing law, programs have been established pursuant to bond acts for, among other things, the development and enhancement of state and local parks and recreational facilities. This bill would enact the California Clean Water, Climate, Coastal Protection, and Outdoor Access For All Act of 2018, which, if approved by the voters, would authorize the issuance of bonds in an amount of \$3,105,000,000 pursuant to the State General Obligation Bond Law to finance a clean water, climate, coastal protection, and outdoor access for all program. This bill contains other related provisions.	ABAG= support	League= support CSAC= pending MTC= tracking
AB 30 (Caballero)	Gut and Amended 4/3	Assembly 2-year 5/12	Environmental quality: judicial review: strip mall conversion housing projects. The Planning and Zoning Law requires a county or city to prepare and adopt a comprehensive, long-term general plan for the physical development of the county or city. This bill would authorize a legislative body of a city or county to identify an area of underperforming infill and direct the planning agency to prepare a specific plan, in accordance with the described provisions and specified additional procedures, to provide for immediate development within that area. The bill would require the specific plan to make certain findings relating to the need for affordable housing and to designate the specific plan area as an overlay zone in which development is permitted by right. The bill would require the legislative body to conduct at least one public hearing before approving a specific plan pursuant to these provisions.	ABAG= watch	League= watch CSAC= watch MTC= tracking

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
AB 59 (Thurmond)	Introduced 12/07	Assembly 2-year 5/12	Local Housing Trust Fund Matching Grant Program. This bill would recast these provisions to instead authorize the department to make grants to eligible recipients, defined as cities that meet specified criteria and charitable nonprofit organizations organized under certain provisions of the Internal Revenue Code that apply jointly with a qualifying city, that have created or are operating or will operate housing trust funds. The bill would increase the maximum allocation for an eligible recipient to \$5,000,000. The bill would also provide that an eligible recipient would not be required to provide matching funds if the eligible recipient is suffering a hardship, as determined by the Department of Finance.	ABAG= watch	League = watch CSAC = watch MTC= tracking
AB 71 (Chiu)	Amended 5/18	Assembly Third Reading 5/30	Income taxes: credits: low-income housing: farmworker housing. Would, under the law governing the taxation of insurers, the Personal Income Tax Law, and the Corporation Tax Law, for calendar years beginning in 2018, increase the aggregate housing credit dollar amount that may be allocated among low-income housing projects to \$300,000,000, as specified, and would allocate to farmworker housing projects \$25,000,000 per year of that amount. The bill would delete that special needs exception and authorization to request state credits provided the applicant is not requesting a 130% basis adjustment for purposes of the federal credit amount. Eliminates the state deduction for mortgage interest paid on qualified second homes.	ABAG= oppose	League = watch CSAC = watch MTC= support
AB 73 (Chiu)	Amended 7/13	Senate Third Reading 7/13	Planning and zoning: housing sustainability districts. Would authorize a city, county, or city and county, including a charter city, charter county, or charter city and county, to establish by ordinance a housing sustainability district that meets specified requirements, including authorizing residential use within the district through the ministerial issuance of a permit. The bill would authorize the city, county, or city and county to apply to the Office of Planning and Research for approval for a zoning incentive payment and require the city, county, or city and county to provide specified information about the proposed housing sustainability district ordinance.	ABAG= watch	League = no position CSAC = pending MTC = tracking
AB 74 (Chiu)	Introduced 12/16	Senate Suspense File 7/17	Housing for a Healthy California Program. This bill would require HCD to, on or before October 1, 2018, establish the Housing for a Healthy California Program and on or before April 1, 2019, and every year thereafter, subject to on appropriation by the Legislature, award grants on a competitive basis to eligible grant applicants based on guidelines that HCD would draft, as prescribed, and other requirements. The bill would provide that an applicant is eligible for a grant under the program if the applicant meets specified requirements, including that the applicant identify a source of funding, as specified, agree to contribute funding for interim and long-term rental assistance, and agree to collect and report data, as specified. The bill would require an applicant awarded a grant to use the funds for specified purposes, including long-term rental assistance and interim housing.	ABAG= watch	League= support CSAC= watch MTC= tracking

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
AB 184 (Berman)	Amended 5/23	Senate Third Reading 6/27	Sea level rise planning: databases. Existing law requires the Natural Resources Agency, in collaboration with the Ocean Protection Council, to create, update biannually, and post on an Internet Web site a Planning for Sea Level Rise Database describing steps being taken throughout the state to prepare for, and adapt to, sea level rise. Existing law further requires that various public agencies and private entities provide to the agency, on a biannual basis, sea level rise planning information, as defined, that is under the control or jurisdiction of the public agencies or private entities, and requires the agency to determine the information necessary for inclusion in the database, as prescribed. Existing law repeals these provisions on January 1, 2018.	ABAG= support	League= watch CSAC= support MTC= tracking
AB 358 (Grayson)	Amended 3/30	Assembly 2-year 4/28	Regional economic development areas. The Military Base Reuse Authority Act authorizes counties and cities located wholly or partly within the boundaries of a military base to establish a military base reuse authority to prepare, adopt, finance, and implement a plan for the future use and development of the territory occupied by the military base. This bill would create the Regional Economic Development Area Act, which would authorize a city, county, or city and county to designate an area within the city, county, or city and county that includes an active or inactive military base and up to ___ square miles surrounding the military base as a regional economic development area, and submit that area to the Governor's Office of Business and Economic Development for certification. The bill would provide that a regional economic development area certified pursuant to these provisions would receive priority for any grant of funds from a state agency for projects within that regional economic development area. The bill would require the Governor's Office of Business and Economic Development to adopt regulations for the implementation of these provisions.	ABAG= watch	League = watch CSAC = pending MTC= tracking
AB 494 (Bloom)	Amended 3/28	Senate Approp. 7/12	Land use: accessory dwelling units. The Planning and Zoning Law authorizes a local agency to provide by ordinance for the creation of accessory dwelling units in single-family and multifamily residential zones, as specified. That law requires the ordinance to require the accessory dwelling unit to comply with certain conditions, including, but not limited to, that the accessory dwelling unit is not intended for sale separate from the primary residence and may be rented. This bill would revise that condition to provide that the accessory dwelling unit may be rented separately from the primary residence.	ABAG= watch	League = watch CSAC= watch MTC= tracking

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
AB 686 (Santiago)	Amended 7/17	Senate 2-year 7/14	Housing discrimination: affirmatively further fair housing. Would require a public agency to administer its programs and activities relating to housing and community development in a manner to affirmatively further fair housing, and to not take any action that is inconsistent with this obligation. The bill would make it unlawful under the California Fair Employment and Housing Act for a public agency to fail to meet its obligation to affirmatively further fair housing, and would provide that failure would constitute housing discrimination under the act.	ABAG= oppose	League= oppose unless amended CSAC= pending MTC= tracking
AB 890 (Medina)	Amended 6/20	Senate Gov. Finance 7/12	Land use: planning and zoning: initiatives. Would require that the city council of a city or the board of supervisors of a county have exclusive authority to adopt or amend a general plan, specific plan, zoning ordinance, or any other similar document, that would convert any discretionary land use approval necessary for a project to ministerial approval; change the land use or zoning designation of a parcel or parcels to a more intensive designation; or allow more intensive land uses within an existing land use designation or zoning designation.	ABAG= oppose	League = watch CSAC = watch MTC = tracking
AB 915 (Ting)	Amended 5/2	Senate Transp. and Housing 6/14	Planning and zoning: housing. The Planning and Zoning Law requires, when an applicant proposes a housing development within the jurisdiction of a local government, that the city, county, or city and county provide the developer with a density bonus and other incentives or concessions for the production of lower income housing units or for the donation of land within the development if the developer, among other things, agrees to construct a specified percentage of units for very low, low-, or moderate-income households or qualifying residents. This bill would require the City and County of San Francisco, if it has adopted an ordinance requiring an affordable housing minimum percentage for housing developments, to apply that ordinance to the total number of housing units in the development, including any additional housing units granted pursuant to these provisions, unless the city and county exempts those additional housing units from the ordinance. The bill would provide that it would not apply to an applicant seeking a density bonus for a proposed housing development if his or her application was submitted to, or processed by, the City and County of San Francisco before January 1, 2018.	ABAG= watch	League= watch CSAC= watch MTC= tracking

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
AB 932 (Ting)	Amended 7/3	Senate Approp. 7/18	Shelter crisis: homeless shelters and permanent supportive housing. Would, until January 1, 2027, upon a declaration of a shelter crisis by the City and County of San Francisco, authorize emergency housing to include homeless shelters and permanent supportive housing in the City and County of San Francisco. The bill, in lieu of compliance with state and local building, housing, health, habitability, planning and zoning, or safety standards, procedures, and laws, would authorize the City and County of San Francisco to adopt by ordinance reasonable local standards for homeless shelters and permanent supportive housing, as specified.	ABAG= watch	League= watch CSAC= watch MTC= tracking
AB 1086 (Daly)	Amended 7/5	Assembly Concurr. 7/17	Housing: regional housing need Existing law requires each city, county, or city and county to prepare and adopt a general plan for its jurisdiction that contains certain mandatory elements, including a housing element. One part of the housing element is an assessment of housing needs and an inventory of resources and constraints relevant to meeting those needs. The assessment includes the locality's share of the regional housing need. That share is determined by the appropriate council of governments, subject to revision by the Department of Housing and Community Development. This bill would express the intent of the Legislature to enact legislation that would provide additional funding for parks or other financial incentives to local agencies that meet their share of the regional housing need.	ABAG= watch	League= watch CSAC= watch MTC= tracking
AB 1088 (Eggman)	Amended 7/10	Senate Approp. 7/18	Multifamily residential housing: energy programs. The Warren-Alquist State Energy Resources Conservation and Development Act establishes the State Energy Resources Conservation and Development Commission (Energy Commission) and requires the Energy Commission to carry out studies, technical assessments, research projects, and data collection directed to reducing wasteful, inefficient, unnecessary, or uneconomic uses of energy. This bill would require the Energy Commission, by January 1, 2020, and in consultation with relevant state agencies and the public, to establish nonbinding statewide goals for reducing energy consumption and emissions of greenhouse gases from multifamily residential properties by January 1, 2030, taking into consideration the state's requirements for reducing emissions of greenhouse gases and the climate equity, doubling of energy efficiency, and increased use of renewable energy resources requirements set forth in the Clean Energy and Pollution Reduction Act of 2015.	ABAG= support	League= watch CSAC= watch MTC= tracking

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
AB 1250 (Jones-Sawyer)	Amended 6/21	Senate Approp. 7/13	<p>Counties: contracts for personal services. Existing law authorizes the board of supervisors of a county to contract for special services on behalf of various public entities with persons who are specially trained, experienced, expert, and competent to perform the special services, as prescribed. These services include financial, economic, accounting, engineering, legal, and other specified services. This bill would establish specific standards for the use of personal services contracts by counties. Beginning January 1, 2018, the bill would allow a county or county agency to contract for personal services currently or customarily performed by employees, as applicable, when specified conditions are met. Among other things, the bill would require the county to clearly demonstrate that the proposed contract will result in actual overall costs savings to the county and also to show that the contract does not cause the displacement of county workers. The bill would require a contract entered into under these provisions to specify that it may be terminated upon material breach, if notice is provided, as specified. Additionally, the bill would require the county to conduct an audit of contracts for personal services in excess of \$100,000 annually to determine whether cost savings have been realized and would require the contractor to reimburse the county for the cost of the audit. The bill also would impose additional disclosure requirements for contracts exceeding \$100,000 annually. The bill would exempt certain types of contracts from its provisions, and would exempt a city and county from its provisions. By placing new duties on local government agencies, the bill would impose a state-mandated local program.</p>	ABAG= no position	<p>League= watch</p> <p>CSAC= oppose</p> <p>MTC= tracking</p>
AB 1397 (Low)	Amended 7/14	Senate Third Reading 7/18	<p>Local planning: housing element: inventory for land for residential development. Would revise the inventory of land suitable for residential development to include vacant sites and sites that have realistic and demonstrated potential for redevelopment to meet a portion of the locality's housing need for a designated income level. By imposing new duties upon local agencies with respect to the housing element of the general plan, this bill would impose a state-mandated local program.</p>	ABAG= watch	<p>League= oppose</p> <p>CSAC= concerns</p> <p>MTC= tracking</p>

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
AB 1404 (Berman)	Amended 7/10	Senate Approp. 7/10	<p>California Environmental Quality Act: categorical exemption: Infill development.</p> <p>The California Environmental Quality Act (CEQA) requires a lead agency, as defined, to prepare, or cause to be prepared, and certify the completion of, an environmental impact report on a project that it proposes to carry out or approve that may have a significant effect on the environment or to adopt a negative declaration if it finds that the project will not have that effect. CEQA also requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment. CEQA requires the Office of Planning and Research to prepare and develop, and the Secretary of the Natural Resources Agency to certify and adopt guidelines for the implementation of CEQA. CEQA requires the guidelines to include a list of classes of projects that have been determined not to have a significant effect on the environment and that shall be exempt from CEQA (categorical exemption). Existing guidelines for the implementation of CEQA exempts from the requirements of CEQA infill development meeting certain requirements, including the requirement that the proposed development occurs within city limits. This bill would expand the above-categorical exemption to include proposed developments occurring within the unincorporated areas of a county. Because a lead agency would be required to determine the applicability of this exemption, this bill would impose a state-mandated local program.</p>	ABAG= watch	<p>League= watch</p> <p>CSAC= support</p> <p>MTC= tracking</p>
AB 1423 (Chiu)	Amended 3/28	Senate 2-year 7/14	<p>Housing: annual reports: charter cities.</p> <p>The Planning and Zoning Law requires a city or county to adopt a general plan for land use development within its boundaries that includes, among other things, a housing element. Existing law requires the planning agency of a city or county, after the adoption of a general plan, to investigate and make recommendations to the legislative body of the city or county regarding reasonable and practical means for implementing the general plan or element of the general plan.</p>	ABAG= watch	<p>League= watch</p> <p>CSAC = watch</p> <p>MTC = tracking</p>
AB 1433 (Wood)	Amended 6/21	Senate Approp. 7/18	<p>Climate Adaptation and Resilience Based on Nature Act.</p> <p>Current law establishes various programs to provide financial assistance for natural or working lands. This bill would require the Strategic Growth Council, on or before April 1, 2018, to establish and convene an interagency taskforce consisting of representatives from various state agencies who are knowledgeable in programs for natural or working lands to develop a common application form and process for those programs. The bill would require the taskforce, on or before January 1, 2019, to develop and implement the common application form and process for those programs.</p>	ABAG= watch	<p>League= watch</p> <p>CSAC= pending</p> <p>MTC= tracking</p>

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
AB 1505 (Bloom)	Amended 7/10	Senate Third Reading 7/11	<p>Land use Zoning regulations. AB 1505 would codify the ability of local governments to adopt inclusionary housing ordinances requiring residential developers to set aside a certain percentage of their units for affordable housing, including ordinances that cover multi-family rental developments. AB 1505, or the "Palmer Fix," seeks to ensure local jurisdictions are able to utilize inclusionary programs as a tool to preserve affordability and combat displacement.</p>	ABAG= no position	League= support CSAC= support MTC= tracking
AB 1585 (Bloom)	Amended 4/20 2-year Bill	Assembly 2-year 4/28	<p>Planning and zoning: affordable housing: single application. The Planning and Zoning Law requires a city or county to adopt a general plan for land use development within its boundaries that includes, among other things, a housing element. Existing law provides for various reforms and incentives intended to facilitate and expedite the construction of affordable housing. Existing law requires the Department of Housing and Community Development, in consultation with each council of governments, to determine existing and projected needs for housing for each region and requires each council of governments or, for cities and counties without a council of governments, the department to adopt a final regional housing need plan that allocates a share of the regional housing need to each city, county, or city and county and is consistent with specified objectives. This bill would establish in each city, county, and city and county in the state an affordable housing zoning board and procedures by which a public agency or nonprofit organization proposing to build affordable housing units, as defined, or a developer proposing to build a housing project that meets specified affordability criteria, could submit to that board a single application for a comprehensive conditional use or other discretionary permit. The bill would require the board to consider the general plan and zoning ordinances of the affected local agency, the share of the regional housing needs of the affected local agency, whether the applicant has made specified certifications relating to the payment of prevailing wages and employment of a skilled and trained workforce, as provided, on the affordable housing units or housing project development, documents or other evidence presented at the hearing, and the recommendations of experts or consultants, if any, retained by the board. The bill would provide that the comprehensive permit would have the same force and effect as a conditional use or other discretionary permit issued by an affected local agency, but would prohibit the board from abrogating a provision of the general plan or zoning ordinances of the affected local agency except to grant a density bonus, as provided.</p>	ABAG= oppose	League= oppose CSAC= oppose MTC= tracking

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
ACA 4 (Aguiar-Curry)	Introduced 2/17	Assembly Local Gov. 4/24	Local Government Financing ACA 4 would reduce the voter approval threshold to 55 percent from the existing two-thirds threshold for local affordable housing and public infrastructure tax measures. "Affordable housing" would include housing developments with units that provide housing to very low- and low-income households and households earning up to 150 percent countywide median income (workforce housing). In addition, "public infrastructure" would include but would not be limited to transportation, broadband, flood control, hospitals, parks and open space, resiliency, sewers and water infrastructure.	ABAG= no position	League= support CSAC= support MTC= tracking
SB 2 (Atkins)	Amended 5/26	Assembly Rules 7/12	Building Homes and Jobs Act. Would enact the Building Homes and Jobs Act. The bill would make legislative findings and declarations relating to the need for establishing permanent, ongoing sources of funding dedicated to affordable housing development. The bill would impose a fee, except as provided, of \$75 to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded, per each single transaction per single parcel of real property, not to exceed \$225.	ABAG= watch	League = support CSAC = support MTC = support
SB 3 (Beall)	Amended 7/3	Assembly Rules 7/12	Affordable Housing Bond Act of 2018. Would enact the Affordable Housing Bond Act of 2018, which, if adopted, would authorize the issuance of bonds in the amount of \$3,000,000,000 pursuant to the State General Obligation Bond Law. Proceeds from the sale of these bonds would be used to finance various existing housing programs, as well as infill infrastructure financing and affordable housing matching grant programs, as provided.	ABAG= support	League= support CSAC = support MTC= support
SB 5 (De Leon)	Amended 5/26	Assembly Water Parks and Wildlife 6/29	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018. This bill would enact the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018, which, if approved by the voters, would authorize the issuance of bonds in an amount of \$3,500,000,000 pursuant to the State General Obligation Bond Law to finance a drought, water, parks, climate, coastal protection, and outdoor access for all program. The bill would provide for the submission of these provisions to the voters at the June 5, 2018, statewide primary direct election.	ABAG= support	League= watch CSAC= pending MTC= tracking

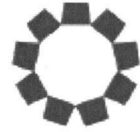
Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
SB 35 (Wiener)	Amended 7/14	Assembly Rules 7/12	Planning and Zoning: affordable housing: streamlined approval process. The Planning and Zoning Law requires a city or county to adopt a general plan for land use development within its boundaries that includes, among other things, a housing element. The Planning and Zoning Law requires a planning agency, after a legislative body has adopted all or part of a general plan, to provide an annual report to the legislative body, the Office of Planning and Research, and the Department of Housing and Community Development on the status of the general plan and progress in meeting the community's share of regional housing needs. This bill would require the planning agency to include in its annual report specified information regarding units of net new housing, including rental housing and housing designated for home ownership, that have been issued an entitlement, building permit, or certificate of occupancy. The bill would also require the Department of Housing and Community Development to post an annual report submitted pursuant to the requirement described above on its Internet Web site, as provided. This bill contains other related provisions and other existing laws.	ABAG= watch	League = oppose CSAC = oppose unless amended MTC= tracking
SB 106 (Committee on Budget and Fiscal Review)	Enrolled 7/7	Enrolled and Presented to Gov. 7/12	Committee on Budget and Fiscal Review) State Government. Until December 31, 2023, that law requires a county that is in the San Francisco-Oakland-Fremont California Metropolitan Statistical Area and that has a population of less than 400,000 to be considered suburban for purposes of determining the densities appropriate to accommodate housing for lower income households. That law requires these counties to utilize the sums existing in their housing trust funds as of June 30, 2013, for affordable housing, as specified. For that same purpose, existing law requires a city that has a population of less than 100,000 and is incorporated within that county to be considered suburban and requires a county or city so classified to make 2 reports, as specified, to the Legislature and the Department of Housing and Community Development. Until December 31, 2023, the Planning and Zoning Law also requires that housing density requirements in place on June 30, 2014, apply within ½ mile of a Sonoma-Marín Area Rail Transit station. This bill would extend the repeal date to December 31, 2028, thereby extending operation of these provisions until that date.	ABAG= No position	League = watch CSAC= watch MTC= No position

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
SB 167 (Skinner)	Amended 7/13	Assembly Rules 7/12	Housing Accountability Act. The Housing Accountability Act, among other things, prohibits a local agency from disapproving, or conditioning approval in a manner than renders infeasible, a housing development project for very low, low-, or moderate-income households or an emergency shelter unless the local agency makes specified written findings based upon substantial evidence in the record. This bill would require the findings of the local agency to instead be based on clear and convincing evidence in the record. This bill contains other related provisions and other existing laws.	ABAG= oppose	League = oppose CSAC= oppose MTC= tracking
SB 435 (Dodd)	Amended 5/2	Senate 2-year 7/5	Williamson Act: payments to local governments The Williamson Act, also known as the California Land Conservation Act of 1965, authorizes a city or county to enter into contracts with owners of land devoted to agricultural use, whereby the owners agree to continue using the property for that purpose, and the city or county agrees to value the land accordingly for purposes of property taxation. Existing law sets forth procedures for reimbursing cities and counties for property tax revenues not received as a result of these contracts and continuously appropriates General Fund moneys for that purpose. Existing law requires the Secretary of the Natural Resources Agency to direct the Controller to make annual payments out of these moneys to an eligible city, county, or city and county for each acre of land that is within its regulatory jurisdiction and assessed under specified provisions of the Revenue and Taxation Code. The amount of payment is \$5 per acre of prime agricultural land and \$1 per acre of all other land devoted to open-space uses of statewide significance, as defined, or, in counties which have adopted farmland security zones, as provided, \$8 per acre of land that is within, or within 3 miles of the sphere of influence of, each incorporated city. This bill would reduce the amount per acre paid to a city, county, or city and county under these provisions to \$2.50 for prime agricultural land, \$0.50 for all other land devoted to open-space uses of statewide significance, and, for counties that have adopted farmland security zones, \$4 for land that is within, or within 3 miles of the sphere of influence of, each incorporated city. This bill, commencing July 1, 2017, would require the Secretary of the Natural Resources Agency to direct the Controller to pay an additional subvention of funds to a county, city, or city and county that meets specified criteria upon determination by the Strategic Growth Council that the county, city, or city and county has adopted measures to protect and conserve resource lands and farmland that further the implementation of the applicable regional sustainable communities strategy, as provided. The bill would provide that the amount of the additional subventions would be \$2.50 for prime agricultural land, \$0.50 for all other land devoted to open-space uses of statewide significance, and \$4 for land enrolled in a farmland security zone that is within, or within 3 miles of the sphere of influence of, each incorporated city.	ABAG= watch	League= watch CSAC= pending MTC= tracking

Bill Number	Current Text	Status	Summary	ABAG Position	Positions: League CSAC MTC
SB 540 (Roth)	Amended 5/10	Assembly Natural Resources 6/28	<p>Workforce Housing Opportunity Zone. The Planning and Zoning Law requires a city or county to adopt a general plan for land use development within its boundaries that includes, among other things, a housing element. This bill would authorize a local government to establish a Workforce Housing Opportunity Zone by preparing an EIR pursuant to CEQA and adopting a specific plan that is required to include text and a diagram containing specified information. The bill would require a local government that proposes to adopt a Workforce Housing Opportunity Zone to hold public hearings on the specific plan. The bill would authorize a local government, after a specific plan is adopted and the zone is formed, to impose a specific plan fee upon all persons seeking governmental approvals within the zone. The bill would require a local government to comply with certain requirements when amending the specific plan for the zone, including seeking a new EIR. The bill would require a local government to notify the county auditor within 60 days after establishing a zone, and to notify the county auditor of the number of housing units added. The bill would authorize a transfer from the Controller to the Governor's Office of Planning and Research for purposes of establishing this loan program.</p>	ABAG= watch	<p>League= support</p> <p>CSAC= pending</p> <p>MTC= tracking</p>
SB 564 (McGuire)	Amended 7/17	Assembly Third Reading 7/18	<p>Joint powers authorities: Water Bill Savings Act. Existing law, the Marks-Roos Local Bond Pooling Act of 1985, authorizes joint powers authorities, among other powers, to issue bonds and loan the proceeds to local agencies to finance specified types of projects and programs. This bill would enact the Water Bill Savings Act, which would authorize a joint powers authority to provide funding for a customer of a local agency or its publicly owned utility to acquire, install, or repair a water efficiency improvement on the customer's property served by the local agency or its publicly owned utility. The bill would require the customer to repay the authority through an efficiency charge on the customer's water bill to be established and collected by the local agency or its publicly owned utility on behalf of the authority pursuant to a servicing agreement. The bill would authorize the authority to issue bonds to fund the program. The bill would require an efficiency improvement to comply with certain provisions of the CalConserve Water Use Efficiency Revolving Loan Program.</p>	ABAG= support	<p>League = watch</p> <p>CSAC = pending</p> <p>MTC = tracking</p>

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

TO: ABAG Executive Board

DATE: July 18, 2017

FR: Executive Director

RE: Cap and Trade Update

On Monday, July 17th, the Legislature passed AB 398 (E. Garcia) by a two-thirds margin, providing a 10-year extension of the state's cap-and-trade program for greenhouse gas (GHG) emissions. The vote included members of both parties, and not every Democrat voted in favor. By clearing a two-thirds margin, the bill defends the program against further challenges on the grounds that it constitutes an illegal tax (i.e. one not approved by a two-thirds vote, as required by the California Constitution).

Notably, a key litigant against the program, the California Chamber of Commerce, came out in support of AB 398 on the grounds that the flexibility provided to businesses under a cap-and-trade framework was preferable to a regulatory approach that the Air Resources Board could implement in the absence of cap-and-trade.

In addition to the climate protection benefits expected from the program and the important global leadership that its extension represents, AB 398 will benefit transportation and affordable housing as a result of the various programs funded by cap-and-trade allowances. This includes the Affordable Housing and Sustainable Communities Program, which receives 20 percent of funds, the Transit Capital and Intercity Rail Capital Program, which receives 10 percent of funds, and the Low Carbon Transit Operations Program, which receives 5 percent of funds. In addition, the California High Speed Rail Authority receives 25 percent of annual allowance revenue. Litigation over the program and the uncertainty of an extension had depressed allowance revenue over the last year. With enactment of AB 398 and the decision by the State Supreme Court not to hear an appeal by the California Chamber of Commerce on the program, allowance revenue seems likely to stabilize going forward.

A much-debated provision of the bill prohibits a local air district from adopting or implementing an emission reduction rule specifically targeted at reducing carbon dioxide from stationary sources that are also subject to the cap-and-trade program. The Bay Area Air Quality Management District strangely opposed this provision.

Following is a summary of AB 398 provisions:

- Extends the cap-and-trade program through 2030 and provides that the cap-and-trade regulation is the rule for petroleum refineries and oil and gas production facilities to achieve their reductions.
- Prohibits a local air district from adopting or implementing an emission reduction rule specifically targeted at reducing carbon dioxide from stationary sources that are also subject to the cap-and-trade program.

- Sets a price ceiling on allowances, requiring ARB to take certain factors into account, including the adverse impact on households, businesses and the state's economy and the full social cost of emitting a metric ton of GHG.
- Eliminates a fire prevention fee that had been imposed in the state's most fire-vulnerable counties. Declares legislative intent that cap-and-trade revenue be used to replace the \$89 million in annual funds that would have been collected by the fee.
- Establishes legislative priorities for cap and trade auction revenue through 2030. (Notably, the bill does not alter funding for the 60 percent of continuously appropriated transportation and housing programs referenced above.) The additional priorities are listed as follows:
 1. Air toxic and criteria air pollutants from stationary and mobile sources.
 2. Low- and zero-carbon transportation alternatives.
 3. Sustainable agricultural practices that promote the transitions to clean technology, water efficiency, and improved air quality.
 4. Healthy forests and urban greening.
 5. Short-lived climate pollutants.
 6. Climate adaptation and resiliency.
 7. Climate and clean energy research

In response to a significant push by environmental justice advocates, AB 398 was enacted along with a companion bill – AB 617 (C. Garcia), focused on reducing criteria air pollutants that harm public health.

Key provisions of AB 617 include:

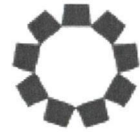
- Requires the ARB to improve its data collection and reporting methods from stationary sources.
- Requires local air districts to adopt an expedited schedule for implementing “best available control technology” retrofits to stationary sources with a deadline of December 31, 2023.
- Increases penalties from \$1,000/day to \$5,000/day for specified air pollution violations to account for inflation since the penalties were established in 1975. Requires local and statewide penalties to be increased annually according to the California Consumer Price Index.
- Requires ARB identify sites for the preparation of Community Emission Reduction Programs to be adopted by local air quality management districts.



Steve Heminger

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

TO: ABAG Executive Board

DATE: July 18, 2017

FR: Executive Director

RE: Federal Fiscal Year (FY) 2018 Transportation and Housing Appropriations

Summary

On July 17, 2017, the House Appropriations Committee approved the fiscal year (FY) 2018 Transportation, Housing and Urban Development and Related Agencies (THUD) spending package. The bill would allocate \$56.8 billion in discretionary spending, \$1.1 billion below FY 2017, with public transit and local housing programs absorbing most of the cuts. The memo includes short summaries of key transportation and housing provisions in the spending package, along with a budget comparison chart.

Transportation

Though not unexpected, it is good news that the bill would honor highway and transit formula commitments from the 2015 Fixing America's Surface Transportation (FAST) Act, providing an approximately \$1 billion increase from FY 2017. The Capital Investment Grant (CIG) program – the funding source for New Starts, Core Capacity, and Small Starts transit projects – would be funded at \$1.7 billion. These cuts are not as drastic as those proposed by the President, but still \$600 million below last year's funding levels. Despite the cuts, staff expects BART to Silicon Valley, Phase 1 and San Francisco Central Subway will receive allocations (\$97 million and \$23 million, respectively) to close out their federal full funding grant agreements (FFGA). There is less clarity at this time about funding levels for the Caltrain Peninsula Corridor Electrification Project, though the FFGA has the project scheduled to receive \$100 million in FY 2018. Caltrain is continuing to work with the Bay Area Congressional delegation on securing that dollar amount.

Of note, the spending package does not reflect the infrastructure package roughly outlined in the Trump Administration's FY 2018 Budget and accompanying fact sheet. However, it does include new provisions championed by Appropriations Committee Chair Rodney Frelinghuysen (R-NJ) to fund a major infrastructure project, the Gateway Program of passenger rail improvements in New York and New Jersey that includes new rail tunnels under the Hudson River. The bill would target 20 percent of all discretionary surface transportation funding to Gateway by eliminating the popular \$500 million Transportation Investment Generating Economic Recovery (TIGER) program and re-directing funds to the Federal-State Partnership for State of Good Repair program – which was created under the FAST Act to help fund Gateway – and setting aside nearly 25% of CIG for a newly-created category intended to fund the massive and badly needed project.

Housing

The FY 2018 THUD spending package rejects the President's FY 2018 Budget proposal to slash federal support for housing by 15 percent, or \$6.9 billion, but still funds programs at \$487 million below FY 2017 levels. The National Low Income Housing Coalition estimates that these levels are not sufficient to cover inflationary costs to ensure every household currently receiving housing assistance can remain in their homes, potentially eliminating more than 140,000 housing vouchers nationwide. In addition, the bill would continue the trend of reducing federal support for local community planning and development programs, cutting the flexible Community Development

Block Grant and the HOME Investment Partnerships programs by \$100 million each. The President's FY 2018 Budget had proposed to zero out funding for both of those programs.

The comparison chart below details FY 2017 and proposed FY 2018 federal funding levels for select surface transportation and housing programs.

Transportation, Housing and Urban Development Appropriations FY 2017 – FY 2018 Comparison Chart <i>(Dollars in Millions)</i>				
Program	FY 2017 Funding	FAST Act Authorization	President's FY 2018 Budget	FY 2018 House Appropriations Committee
<i>Department of Transportation</i>				
Highway Formula	\$43,266	\$44,234	\$44,234	\$44,234
Transit Formula	\$9,534 ¹	\$9,733	\$9,733	\$9,733
Capital Investment Grants	\$2,530	\$2,302	\$1,232	\$1,753
Transportation Investment Generating Economic Recovery	\$500	N/A	\$ -	\$ -
Federal-State Partnership for State of Good Repair	\$25	\$175	\$26	\$500
Amtrak (total)	\$1,495	\$1,600	\$760	\$1,428
<i>Department of Housing and Urban Development</i>				
Community Development Block Grant	\$3,000	N/A	\$ -	\$2,900
HOME	\$950	N/A	\$ -	\$850
Section 8 Rental Assistance Voucher Renewals	\$18,355	N/A	\$17,584	\$18,710
McKinney-Vento Homeless Assistance Grants	\$2,383	N/A	\$2,250	\$2,383
Public Housing Capital	\$1,942	N/A	\$628	\$1,850
Public Housing Operating	\$4,400	N/A	\$3,900	\$4,400



Steve Heminger

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¹ FY 2017 Appropriations Bill (HR 244) funded FTA core transit programs at \$9.7 billion (\$9.5 billion from the Transit Account for core formula programs and \$199 million for FTA positive train control funded from the Highway Trust Fund).