



Office of Governor
GAVIN NEWSOM

Governor Newsom Announces Legislative Proposals to Confront the Housing Cost Crisis

Published: Mar 11, 2019

An unprecedented \$750 million in support would help cities plan and zone for new housing

Legislative proposal lays out plan to update and modernize cities' housing goals to better reflect regional workforce and transportation needs

Governor Newsom: "Our state's affordability crisis is undermining the California Dream and the foundations of our economic well-being"

SACRAMENTO – Governor Gavin Newsom today announced a major legislative proposal as part of his \$1.75 billion package to confront the housing cost crisis. The new proposal sets higher short-term goals for housing that cities and counties must meet, and provides \$750 million in support and incentives to help jurisdictions plan and zone for these higher, ambitious housing targets.

The proposal would also update and modernize the state's long-term housing goals, known as Regional Housing Needs Allocations (RHNA), to better reflect regional housing and transportation needs.

[This proposal](#) is one part of Governor Newsom's ambitious \$1.75 billion housing package for 2019, which includes \$1 billion in tax credits and loans to spur low, mixed and middle-income housing production through separate legislative and budget proposals.

"Our state's affordability crisis is undermining the California Dream and the

Recent News

Governor Gavin Newsom Orders a Halt to the Death Penalty in California

TOMORROW: Governor Newsom to Make Major Policy Announcement

Governor Newsom Signs Legislation

Governor Newsom Announces Legislative Proposals to Confront the Housing Cost Crisis

First Partner Jennifer Siebel Newsom to Lift Up the Stories of California Women and Girls in Honor of Women's History Month

Archives

March 2019

foundations of our economic well-being,” said Governor Newsom. “Families should be able to live near where they work. They shouldn’t live in constant fear of eviction or spend their whole paycheck to keep a roof overhead. That’s increasingly the case throughout California.”

In [January](#), Governor Newsom unveiled his \$1.75 billion budget proposal to spur housing in California and called on the Legislature to provide relief and stabilization for renters. He signed an [executive order](#) to build affordable housing on excess state lands and announced first-of-its-kind [legal action](#) against a city, Huntington Beach, for standing in the way of affordable housing production and refusing to meet regional housing needs. In his State of the State address, he offered state assistance to the 47 California cities out of compliance with state housing requirements and invited city leaders to meetings with state housing officials in [Long Beach](#) and Sacramento.

As part of the plan to address the housing cost crisis, the Governor proposes:

Accelerating and Incentivizing Housing Goals

Through these proposals, the California Department of Housing and Community Development (HCD) will establish new, higher short-term statewide housing goals for jurisdictions. HCD will adjust statewide targets for 2020 and 2021 and jurisdictions will be incentivized to accelerate their three-year RHNA goals to reach those benchmarks within two years. HCD will distribute increased targets to jurisdictions based on factors such as jobs, households, and affordability.

Jump-Starting Housing Production

The trailer bills provide \$750 million in one-time funding to help jump-start housing production. \$250 million will go to cities for planning towards their new, higher short-term housing goals. \$500 million will go to cities as incentives as they meet certain milestones of planning and zoning for more housing.

Local governments will receive \$250 million in grants to support technical assistance and staffing to adjust plans to reach the higher RHNA goals – half directly to cities, and half through regions. Regions will create action plans to identify process improvements, barriers to production, and other activities needed to increase production. Cities will receive \$125 million to begin work on improving their processes. Another \$125 million will be distributed to regions to plan and award to cities in accordance with regional plans. If a jurisdiction is in a region or county that has not submitted a plan, they can

February 2019

January 2019

Categories

All

Executive Orders

Media Advisories

Press Releases

Proclamations

Top Story

submit their own for HCD approval. HCD will identify a methodology to distribute incentive rewards to these unique jurisdictions.

An additional \$500 million will be made available to cities in incentive grants. Beginning in 2021, incentive grants for general purposes will become available for jurisdictions that have made progress in implementing their plans and meeting increased production goals. Regions will develop the reward methodology, in furtherance of their regional housing plan goals, and with HCD approval.

Steps Towards Long-Term Housing Reform

To make meaningful reforms to the housing crisis in California, all stakeholders must work collaboratively to develop sustainable, long-term solutions. California must take a more comprehensive approach to planning for housing and transportation. This new proposal will ensure that by December 31, 2022, HCD, in collaboration with the Office of Planning and Research (OPR), will engage stakeholders and propose an improved RHNA process and methodology. Working with the California State Transportation Agency and OPR, HCD will engage stakeholders and propose opportunities to link transportation and other non-housing funds with housing goals by the end of 2022. Beginning July 1, 2023, SB 1 Local Streets and Roads funds may be withheld from any jurisdiction that does not have a compliant housing element and has not zoned and entitled for its updated annual housing goals.

Expanding Middle Class Housing Opportunities

A separate trailer bill will propose the creation of a major, new investment in spurring new middle-class housing production. This will happen by providing funding to support the development of affordable housing critical to spurring affordable communities. The Governor's proposal would allocate \$500 million for the expansion of the State Housing Tax Credit Program. These funds would pair with the existing underutilized 4 percent affordable housing federal tax credit program — targeted at new construction projects. Up to \$200 million of this new allocation may allowably fund the creation of a new program targeting development of moderate-income housing — for households of up to 120 percent of AMI — a population not typically served by the state's housing programs.

The final \$500 million of the Governor's housing package does not require a budget trailer bill. It is included in the proposed budget, and proposes a \$500 million General Fund one-time allocation to expand CalHFA's Mixed-Income Loan Program. This investment would jumpstart the estimated \$43 million in

annual funding dedicated to this program, and would pair with the proposed tax credit program described above.

###

ACA 1 Offers Flexibility for Local Financing of Infrastructure and Affordable Housing

Cities urged to send letters to build support

March 11, 2019

Financing the repair and upgrade of infrastructure and addressing affordable housing needs is one of the greatest challenges facing cities and counties in the coming decades.

ACA 1, authored by Assembly Member Aguiar-Curry, provides additional flexibility to local agencies by reducing the voter-approval threshold from two-thirds to 55 percent for cities and counties to fund critical public infrastructure and affordable housing. The author is seeking to build support from local governments for this measure.

Assembly Member Aguiar-Curry, a former mayor and city council member from the City of Winters and former League board member, understands the difficulties cities and counties face when seeking to improve their infrastructure and address homelessness and affordable housing. As chair of the Assembly Local Government Committee, she believes local governments need more flexibility to solve their own problems.

The current jumble of vote thresholds affecting infrastructure and affordable housing investments in California make no sense. When cities and counties ask their voters to make these needed investments, they face a stringent two-thirds vote threshold. However, when the state sought voter approval for the recent housing and park bonds, the vote requirement was a simple majority. Additionally, the vote threshold is just 55 percent for local school construction, contributing to even greater confusion.

Nearly 20 years ago, the state's voters agreed (Prop. 39 of 2000) that the two-thirds threshold was too strict for investments in school construction and lowered that threshold to 55 percent. ACA 1 provides the voters an opportunity to treat investments in local infrastructure and affordable housing in a similar manner as schools.

While prior lower vote threshold measures have been bogged down in the Legislature, the potential exists for the Legislature to place this measure on the 2020 ballot. Assembly Member Aguiar-Curry is

currently seeking to build support, while recognizing that the timing of any final legislative decisions on what to place on the ballot is still months away.

California voters have also demonstrated — through their past approval of major state school, housing and water bonds — that they understand the importance of investing in their future. The Legislature should pass ACA 1 and provide voters with an opportunity to weigh in on local investments on infrastructure and affordable housing — issues that are so critical to the state’s future and quality of life of California residents.

Take Action

The League supports this measure and urges cities to send in support letters as well. Copies of the League’s support letter and a sample letter can be found at www.cacities.org/billsearch by plugging ACA 1 into the search function.

[Terms of Use](#)

© 2019 League of California Cities

[New Privacy Policy](#)

ShareThis Copy and Paste



PO Box 3144
Los Altos, CA 94024
408.766.9534
citiesassociation.org

March 14, 2019

The Honorable Cecilia Aguiar-Curry
California State Assembly
State Capitol Building, Room 5144
Sacramento, CA 95814

RE: **ACA 1 (Aguiar-Curry). Local government financing: Affordable housing and public infrastructure: voter approval.**
Notice of SUPPORT

Dear Assembly Member Aguiar-Curry,

The Cities Association of Santa Clara County, representing the 15 cities of Santa Clara County, is pleased to support your bill, ACA 1, which would lower the voter threshold requirements for special taxes by a local government for the purpose of providing funding for affordable housing and public infrastructure projects from 2/3rds approval to 55% approval.

As you know, local governments have widespread and urgent infrastructure needs and the high cost of housing in the state is well-documented. Local communities need additional flexibility to promote the development of affordable housing close to jobs and to continue to provide critical infrastructure for a better quality of life.

ACA 1 provides the voters an opportunity to consider treating investments in local infrastructure and affordable housing in a similar manner as schools. California voters have demonstrated through their past approval of major state school, housing, and water bonds, that they understand the importance of investing in their future.

Thank you for your leadership and let's pass ACA 1 to provide voters with an opportunity to weigh in on local investments on infrastructure and affordable housing – issues that are so critical to the state's future, prosperity and quality of life.

For these reasons, the Cities Association of Santa Clara County supports ACA 1 (Aguiar-Curry).

Sincerely,

Mayor Manny Cappello
President

cc: Hon. Bob Wieckowski

Hon. Jim Beall

Hon. Jerry Hill

Hon. Bill Monning

Hon. Robert Rivas

Hon. Ash Kalra

Hon. Kansen Chu

Hon. Marc Berman

Hon. Evan Low

Hon. Mark Stone

Seth Miller, Peninsula Division, League of California Cities, smiller@cacities.org

Meg Desmond, League of California Cities, cityletters@cacities.org

DRAFT

SB 5 (Beall/McGuire) Post-Redevelopment Funding Proposal Set for Hearing March 20

Cities Encouraged to Support Local-State Sustainable Investment Incentive Program

March 11, 2019

Cities are encouraged to support SB 5, scheduled for hearing on March 20 in the Senate Governance and Finance Committee, which establishes an ongoing funding mechanism that would ultimately direct up to \$2 billion annually in support of local infill, transit oriented development, affordable housing and neighborhood revitalization projects.

Since the elimination of redevelopment, cities have been looking for a replacement funding mechanism. While the state has created several tax increment tools – including Enhanced Infrastructure Financing Districts (EIFD), Community Revitalization Investment Authorities (CRIA), Affordable Housing Authorities (AHA) and others – all have their limitations, and are much less fiscally robust than the former tool. Sens. Jim Beall (D-San Jose) and Mike McGuire (D-Healdsburg), chairs of the Senate Committees on Transportation and Governance and Finance, have proposed SB 5 to fill the financing void by creating the Local-State Sustainable Investment Incentive Program.

Under SB 5, a city, county, or Joint Powers Authority that has a financial commitment to a project would apply for funding to a Sustainable Investment Incentive Committee, created by the bill. Eligible projects include:

- Housing development plans that propose construction of workforce and affordable housing, and support the construction of housing for all-income ranges consistent with adopted housing elements. Fifty percent of the funds must be used to construct workforce and affordable housing;
- Transit-oriented development in priority locations that maximize density and transit use, and contribute to the reduction of vehicle miles traveled and greenhouse gas emissions;
- Infill development by rehabilitating, maintaining and improving existing infrastructure that supports infill development and appropriate reuse and redevelopment of previously developed, underutilized land that is presently served by transit, street, water, sewer, and other essential

services, particularly in underserved areas, and to preserving cultural and historic resources;
and

- Promoting strong neighborhoods through supporting local community planning and engagement efforts to revitalize and restore neighborhoods, including repairing infrastructure and parks, rehabilitating and building housing, promoting public-private partnerships, supporting small businesses and job growth for affected residents.

Twenty percent of the overall funding for the program shall be set aside for counties with populations of less than 200,000.

How SB 5 Financing Works

Under prior redevelopment law, when a city formed a redevelopment project area, a powerful financing mechanism was created because the property tax growth above the base year from affected counties, special districts and schools – in addition to a city’s – would flow to the redevelopment agency. Property tax growth from the school share of property tax, which can average half of local property taxes, was a major funding engine for redevelopment. When redevelopment agencies were eliminated in 2011, approximately \$2 billion in property tax was being diverted from school to redevelopment agencies. There was no financial impact on schools, however, because the state General Fund replaced these funds annually due to its funding obligations under Proposition 98.

One of the major challenges with the new financing mechanisms attached to recent tax increment tools (EIFD, CRIA, AHA, etc.) is that none of the growth of the county or special district’s share of property tax goes to the new district without agreement by the affected entities, and access to growth off the school share is currently prohibited. This is a major limitation. While cities can approach counties and special districts with various proposals, those entities have their own priorities, which often do not include funding urban revitalization, transit oriented development, affordable housing and other major projects within cities. Cities cannot approach school districts – and would likely never be able to absent a state approval process – given the state’s funding obligation to schools under Prop. 98. SB 5 resolves this problem, and opens up major funding options, by creating a state approval mechanism to access growth off of the school share for local projects that match state priorities.

Other Features

The Local-State Sustainable Investment Incentive Program is designed as an opt-in program and no affected taxing entities are required to participate. Schools will be made whole by the state backfill mechanism in Prop. 98. Prevailing wages and skilled and trained workforce requirements apply.

State Oversight

The bill will create the Sustainable Investment Incentive Committee review and approve or disapprove proposed projects comprised of the following:

- The chair of the Strategic Growth Council;
- The chair of the State Infrastructure and Economic Development Bank;
- The chair of California Workforce Investment Board;
- Director of the California Housing and Community Development Department;
- Two people appointed by the Speaker of the Assembly;
- Two people appointed by the Senate Rules Committee; and
- One public member appointed by the Governor that has a background in land use planning, local government, or community development or revitalization.

Each applicant receives financing pursuant to the program for any fiscal year is required to provide a report to the committee. The committee must also provide an annual report to the Joint Legislative Budget Committee.

Next Steps

SB 5 represents a major effort by the authors – chairs of the key Senate Transportation and Governance and Finance Committees – to restore a more viable funding option for urban revitalization and development projects going forward. There will, no doubt, be more steps in the journey back to establishing more robust financing options for community development, including broader discussions within the Legislature and with the Gov. Gavin Newsom, but SB 5 is a great start. Cities are encouraged to send support letters to their legislator and a copy to cityletters@cacities.org. The full text of the measure along with the League's support letter can be found at www.cacities.org/billsearch by plugging SB 5 into the search function.

Terms of Use

© 2019 League of California Cities

New Privacy Policy

ShareThis Copy and Paste



PO Box 3144
Los Altos, CA 94024
408.766.9534
citiesassociation.org

March 14, 2019

The Honorable Jim Beall
California State Senate
State Capitol Building, Room 2082
Sacramento, CA 95814

The Honorable Mike McGuire
California State Senate
State Capitol Building, Room 5061
Sacramento, CA 95814

RE: **SB 5 (Beall/McGuire) Local-State Sustainable Investment Incentive Program
Notice of SUPPORT (As Introduced 12/03/2018)**

Dear Senator Beall and Senator McGuire:

The Cities Association of Santa Clara County, representing the diverse 15 cities of the County, supports your SB 5 (Beall/McGuire), the Local-State Sustainable Investment Incentive Program.

The elimination of redevelopment in 2011 created a huge deficit in community revitalization resources throughout California, including an annual loss of \$1 billion in funding for low- and moderate-income housing.

SB 5 provides the opportunities for communities to access additional tax increment revenues to fund affordable housing, infrastructure, and economic development projects that advance state and local priorities, including reducing greenhouse gas emissions, expanding transit oriented development (TOD), addressing poverty, and revitalizing neighborhoods.

The Cities Association of Santa Clara County commends you for recognizing the diversity of California cities and acknowledging the need for flexible funding to spur housing construction and revitalize communities.

If warranted, discuss:

- *How losing redevelopment has impacted your city.*
- *How your city would specifically benefit from a renewed state investment.*

The time is right for the state to fill the void left by the elimination of redevelopment and provide more tools to support local efforts to build more affordable housing, provide essential infrastructure, and create opportunities in underserved communities. The Cities Association of Santa Clara County applauds your leadership in this effort to give cities the tools they need to improve their communities.

For these reasons, the Cities Association of Santa Clara County supports SB 5 (Beall/McGuire).
Sincerely,

Mayor Manny Cappello
President

cc: Hon. Bob Wieckowski
Hon. Jerry Hill
Hon. Bill Monning
Hon. Robert Rivas
Hon. Ash Kalra
Hon. Kansen Chu
Hon. Marc Berman
Hon. Evan Low
Hon. Mark Stone
Seth Miller, Peninsula Division, League of California Cities, smiller@cacities.org
Meg Desmond, League of California Cities, cityletters@cacities.org

DRAFT