

3.24.03

Stakeholder Dialogue Meeting Notes

Attendees:

Alex Amoroso, ABAG
Kristen Clements, Bank of America
Scott Edmondson, City/County of SF
Tim Frank, Sierra Club
Bob Harris, PG&E
Eliot Hurwitz,
Sherman Lewis, Sierra Club
Sunne McPeak, Bay Area Council
Andrew Michael, Bay Area Council
Seth Miller, CCRL
Leticia Miranda, CA Policy Reform Network
Larry Orman
Robert Paternoster, City of Sunnyvale
Rachel Peterson
Laurel Prevetti, City of San Jose
Gerry Raycraft, ABAG
Christy Revere, ABAG
Tom Steinbach, Greenbelt Alliance
Tom Sullivan,
Allen Tai, City of Alameda
Will Travis, BCDC

Item I - Convene Policy Conversation, Introductions, Agenda review

Clarifications about agenda:

A. Update about ABAG smart growth process: ABAG Board approved policy-based projections on 3/20/03, Board also requested quarterly report from staff about progress toward smart growth targets. ABAG will give MTC a set of jobs / housing balance numbers as basis for preparation of a “mobility index.” (Technical specifics unknown at this time.)

B. Order of magnitude of growth discussion tabled for the time being because of high level of disagreement among Stakeholders on what the specific number or target should be. Per discussion at past two meetings, Stakeholders acknowledged that group prefers to focus on what we agree on and there was general agreement that a significant amount of housing is needed within the Bay Area, above current levels of production. Areas of disagreement have been recorded in meeting notes for future Bay Area Alliance dialogue.

In order to grasp “low-hanging fruit” in agreements about policy (a goal established at Feb 24 meeting), a draft memo was prepared in order to begin developing language as the potential intro to a joint communication about pending legislation. Target audience: Sacramento policymakers.

Signers: as many Stakeholders as are able to agree, whether as representatives of organizations or as individuals.

Comments on memo:

- Make sure it reflects the “robustness” of the Stakeholder process, especially the “groundbreaking” approach within the Bay Area Alliance.
- Memo will contain recommendations on pieces of legislation and/or concepts that Stakeholders believe Sacramento delegation should pursue.
- Bay Area Alliance Compact for A Sustainable Bay Area & the Regional Agencies/Bay Area Alliance smart growth vision that resulted from the Smart Growth Strategy/Regional Livability Footprint Project Workshops are already more cutting-edge than pending or current state policy.
- Ensure that memo accomplishes three things:
 1. Identify **context** of the Stakeholder Dialogue
 2. Identify the **principles** Stakeholders are operating under (from Compact, Smart Growth Vision)
 3. Express joint **opinions** on specific legislation.

Group acknowledged that the memo represents the first step along the way in a longer-term discussion, esp of items laid out in Feb 24 meeting: job targets, infill & affordable housing targets, etc.

- **To Do: Andrew Michael, Eliot Hurwitz, Scott Edmondson will expand and detail the memo according to above comments and goals.**
- **Additional Stakeholder comments requested on memo by 3/31/03.**

Item II – Discussion of Policy Concepts

Policy Concept 1: Lower voter thresholds for infrastructure \$

SCA 11 = a constitutional amendment (has companion Assembly bill) that would lower threshold to a majority vote for infrastructure funding packages: transit – open space – affordable housing.

Strategic Q: What is SCA 11’s definition of affordable housing? Answer is key to Bay Area Alliance support, because the crisis of housing affordable to households with moderate incomes is major cause of sprawl, and because responsibility for development of that stock lies in the hands of local governments (different from subsidized market).

[Definitions used during discussion: very low income = <50% of area median income; low income = 50-80% of AMI; moderate income = 80-120% of AMI.]

Conclusion: Stakeholders agreed that criteria / conditions for use of funds would have to be in place in order for representatives of all Es to support. Eg: affordability level of housing to be built, efficiency of transit to be built, etc. Because Surface Transportation Policy Project is bill sponsor, assumption is that bill language is sufficiently strong.

Strategic Q: Should Alliance focus on statewide bills or Bay Area pilot projects?
In response: Interregional Partnership provides a good lesson: hasn't found financial support at the state level as a pilot project because it's too expensive and too geographically focused, but at the same time is not being launched more broadly because it's not considered applicable statewide. (Stakeholders found no definitive strategic answer to this question.)

Strategic Q: Could voter threshold bill be used for non-smart growth purposes?
(Stakeholders found no definitive answer to this question.)

Dialogue Agreement:

1) Stakeholders expressed no significant opposition to concept of lowering voter threshold IF smart growth conditions / criteria are in place.

- **To Do: Read SCA 11 (link will be sent to Stakeholders), come to April 7 meeting with opinions.**

Policy Concept 2: Fiscal changes to reward housing production in appropriate places

Concept 2a: Property tax return to locals, property – sales tax swap

Comments:

-Governor's Commission on Tax Policy is now examining numerous proposals

-In general, all fiscal reform efforts are attempting to align revenue and responsibility. Basic logic: local governments create value through real estate development, therefore should receive greater share of property tax revenue.

-Before Prop 13, local infrastructure was not financed by property tax alone but it did make up a significant share.

-Tax shifts are supported conceptually but lose that support – even from jurisdictions that would come out ahead – when specific proposals are made.

-Ironically, newer cities with higher incomes and more post-Prop 13 growth tend to be the ones that would receive more financial returns if a revenue shift were instituted.

-In tax shifts, “poor” and “wealthy” jurisdictions are not always transparent: policymakers would have to decide which measure to use.

-Current local government stances on fiscal reform bills: San Jose = ‘watch’ position, Sunnyvale = support fiscal reform but no positions yet on pending bills.

Stakeholder Consensus Proposal:

Support fiscal reform conceptually if it includes:

- a) More revenue (find new sources)
- b) More certainty and control (property tax – sales tax swap concept)
- c) More revenue to incentivize good behavior (create infrastructure banks)
- d) More sharing to deal with impacts of growth that spill across jurisdictions

Discussion:

-Ideas for increasing tax revenue by finding new sources: lower voter thresholds (per Policy Concept 1), Internet tax, service industry tax, tax on commercial non-residential properties, such as undeveloped brownfields.

-Keep fiscal reform concepts simple, eg: shift property tax to reward housing production.

Strategic Q: How can Stakeholders ensure that property / sales tax shift encourages infill, not sprawl?

Response: Not much risk of this exists because cities are underbuilding to such a large degree now.

-Tax shifts back to local governments can be accompanied by smart growth criteria.

-Shift would be a step toward reversing sprawl, because it would create level financial playing field and allow local jurisdictions to more directly finance infrastructure based on levels of growth.

Related ideas:

- Use fiscal reform to incentivize employers & the private sector to locate in infill / central city locations.
- Use revenue shifts to send \$ to poor-performing schools. Improving schools can reduce the push factor for moving to the suburbs.
- Even if more \$ is returned to local jurisdictions there will be a continuing need for public education about density and good design.

Process comment: Can Stakeholders develop a set of principles that can be applied to any bill?

Strategic Q: Will Bay Area Alliance only support a suite of bills? Or will Stakeholders be willing to support a single bill?

Response: Group strongly prefers to support a suite of bills.

Concept 2b: Broadening sales tax base

Process Q: How / when can Stakeholders discuss methods of broadening the sales tax base? (eg, through an Internet sales tax.)

Response: Controversial proposal but economic E is open to discussion.

Concept 2c: Taxing underused commercial property

-Proposal to raise property tax on non-residential commercial properties over time as they sit vacant, esp brownfields, now has potential support within business community IF the revenue raised goes into an infrastructure bank for local improvements. Controversial aspect: who will decide how the funds should be spent, public or private sector?

Concept 2d: Revenue sharing

-Use revenue sharing as an incentive: allow jurisdictions to raise new taxes IF they share the revenue. Sweeten the pot by adding a state match.

Concept 2e: Vehicle License Fee

Consensus Proposal:

- a) Restore the fee
- b) Tie it to housing production

-Original VLF provision allows state to reinstate it if state revenues fall below certain level – why is there current inaction by Davis?

-Local governments will oppose any strings attached to a restored vehicle license fee, eg housing production.

-Sacramento needs to see a broader coalition to support restoration – currently no environmental or economic presence, only local government actively working to restore the fee.

Future consensus discussion: Restore the VLF without strings?

Dialogue Agreements on Fiscal Reform:

- 1) Stakeholders support increasing the share of property tax returned to local governments.**
- 2) Stakeholders strongly support linking infrastructure dollars (generated by lowering voter thresholds or fiscal reforms) to smart growth criteria. Further, stakeholders agree that the state should reward local governments with infrastructure funds if they build high-density housing close to transit.**
- 3) Stakeholders wish to explore the idea of raising new tax revenue from commercial non-residential properties.**
- 4) Stakeholders wish to explore ideas for regional cooperation in dealing with the impacts of growth.**

- **To Do: Read AB 1221 (or relevant fiscal reform bill) and come to April 7 meeting with opinions.**
- **Next meeting: Monday April 7, 5-8 pm, location at Bay Area Council, 200 Pine Street, Suite 300, San Francisco (closest to Embarcadero BART Stop at the corner of Pine and Battery).**