

Smart Growth *Policy Concepts* for Consensus Consideration

An informal and representative group from the Smart Growth Policy Conversation discussed legislative and policy options that the entire group might consider supporting as an outcome of the conversation. Participants included: Greenbelt Alliance, Bay Area Council, Non-Profit Housing Association of Northern California, Home-builders Association of Northern California, Association of Bay Area Governments, and California Futures Network and the Sierra Club. The group defined four areas where developing consensus on specific criteria and language is possible.

This memo adds to the initial agreement on issue areas and provides a general description of the Policy Concept, Proposed Language (where available), and identification of Legislative Vehicles that might be developed to incorporate such suggestions. The section on Legislative Vehicles is not comprehensive and will be updated based on the input of the group. Note: Each stakeholder would need to clarify with their Board of Directors or policy committees to give final go ahead for support on a specific legislative vehicle.

1. Lower Voter Threshold for infrastructure, transportation, open space and housing funds:

Policy Concept: Change and enhance local financing tools available to support smart growth. Constitutional amendments could allow voters to lower the threshold from a 2/3 vote to a majority vote to establish a local bond or a special tax for community and infrastructure improvements.

Simple majority vote for Real Estate Transfer Tax when proceeds are used for affordable housing projects. By lowering the voter threshold from the current 2/3 super-majority to a simple 50% majority to adopt or increase a real estate transfer tax, local governments can more readily create a financial mechanism to fund affordable housing projects. Focussing the transfer tax to housing need creates a linkage for housing dollars that is recognized by the state and local jurisdictions.

Create priority eligibility for cities that adopt model “smart growth” policies in the award of state competitive grants, including for infrastructure, commercial and industrial development, or other economic development. Local governments often aggressively compete for limited state dollars. By rewarding the adoption of sustainable local land use policies in the form of points or priority in these highly competitive processes, many cities and counties may be willing to adopt such policies.

Proposed General Intent and Overall Policy Language for Application of New Revenue Streams to Encourage Smart Growth

It shall be the policy of the State of California to encourage, promote and support the construction and provision of sufficient housing to meet the needs of the population increases and to match the rate of job generation. Further, it is the intent of the State of California to encourage, promote, and support the planning for and accommodation of a sufficient supply of housing affordable to the full population in close proximity to existing population and job generation centers in order to foster a more efficient land use pattern and reduce impacts on the environment resulting from development of valuable farmland and habitat, thus providing a solid foundation for "smart growth" that promotes: (1) Prosperous Economy; (2) Quality Environment; and (3) Social Equity. It is further the intent that these policies will provide consumers with greater choices and allow the housing market and homebuilding industry to operate in a manner to meet as much of the housing demand and need as possible.

Legislative Vehicles: Two options include lowering voter threshold for bonds (SCA 11-Alarcon) or sales tax (Steinberg) to finance multi-use infrastructure (transportation, affordable housing, open space and other infrastructure).

2. Fiscal changes that reward housing production in the appropriate places:

Policy Concept: Identify revenue to reward housing production, with an emphasis on incentivizing infill housing. The aim is to align local jurisdiction responsibility and accountability to meet housing needs with revenue that supports the housing production, relevant services, infrastructure and quality of life.

Property tax– retail sales tax swap between local and state governments.

A property tax swap for sales tax provides an incentive for local governments accommodating an adequate housing supply for all income categories. Currently, local governments view housing as a fiscal drain on their revenues.

Legislative and Regulatory Vehicles to create mechanisms to accomplish this objective include: a) revenue swap from sales tax to property tax based on housing production performance (AB 1221); b) Vehicle License Fee restored and provided with increasing proportion to jurisdictions that meet housing production targets (Torlakson), c) infrastructure bank funds to replace aging infrastructure (AB 531 - Kehoe); and d) priority provided for state infrastructure funds based on jurisdictions that meet a percentage of their regional housing needs objectives (SB 744 - Dunn and Ducheny). Funds raised from petroleum mitigation could also help bring funds to communities for instance to support transit (SB 981 and AB 1500).

Another option is to attempt to influence apportionment of Proposition 46 (Housing Bond) fund from \$50 million portion that provides local government with incentives for affordable housing production.

3. Policies to encourage housing in proportion to housing needs:

Policy Concept: Housing production benchmarks are set for units to be produced based on the Housing Needs Determination per jurisdiction. If a jurisdiction can certify it has met or surpassed the housing production targets in housing affordable to the Very Low, Low, Moderate and Above Moderate Household income categories, specified funds would be allocated to the jurisdiction based on a smart growth housing production criteria.

Proposed Housing Planning Language

Each general purpose local government jurisdiction--county, city, and county and city-- shall designate in their general plan and properly zone for conformity a sufficient supply of land to accommodate housing to match both projected population increases and job generation for twenty years into the future. Projected population increases and job generation figures shall be based upon projections promulgated by the respective Council of Governments and concurred in by the California Department of Finance in consultation with the California Department of Housing and Community Development. The initial projections shall be for the time period 2000 through 2020 and updated each decade for the subsequent 20 year period.

[Note: It is likely that someone will ask how this relates to the Regional Housing Needs Determination (RHND) "Fair Share Housing" process and the answer is that it will need to be reconciled and/or integrated. However, the current RHND process is for too short a time horizon (usually about 5 years—currently 7) for the competition in land supply (which is a critical component of the marketplace) to work in favor of the consumer.]

Legislative Vehicles: AB 1426 (Steinberg) (Housing Production Quotas) would require every city and every county within the greater Sacramento region, as defined, that issues building permits for residential units to require or otherwise cause at least 5% of the aggregate amount of these new residential units to be affordable to, and occupied by, very low income households, and at least 5% of the aggregate amount of these new residential units to be affordable to, and occupied by, low-income households, as specified. This bill would, among other things, authorize the establishment of a joint powers agency to be known as the Greater Sacramento Regional Consortium and require the Department of Housing and Community Development to allocate specified funds to the consortium pursuant to factors determined by the department. SB 558 (Ducheny) would establish a quantified, long-term and enforceable residential land allocation regime in law. The proposal would call for the allocation of sufficient land for housing - particularly in high growth areas.

Other promising bills that we should investigate for the group**4. Smart School Initiative:**

Policy Concept: MALDEF and others are working on proposals to reduce the physical footprint of new schools as well as enable them to serve multi-use and mixed-use purposes. Specifically, proposals are being developed to provide access to school facility bond funding and enable joint use schools to be developed, especially where overcrowding is a problem.

5. Brownfields Redevelopment

Policy Concept: Various proposals would enable more brownfields redevelopment. These include measures that would define and limit liability for prospective purchasers of brownfields.

Legislative Vehicles: (SB 493 - Cedillo), expands the scope of Geologic Hazard Abatement Districts so that environmental remediation could be undertaken with the bond funding raised from such a local assessment district (SB 805 - Escutia), and streamline permitting for brownfield redevelopments (SB 559 - Ortiz)

6. Transit Oriented Development (TOD) Tax increment bill

Policy Concept: Tax increment financing offered to projects that are near transit or that are designed to offset jobs/housing imbalances. Utilizing this tool may allow for more development projects that are near transit and/or address jobs/housing imbalances. Tax Increment financing would allow participant jurisdictions to access financial resources to pay for improvements necessary to attract appropriate jobs to, in particular, housing rich areas and vice versa. The jobs created should be linked to the available workforce within the immediate region. One mechanism might be the development of Smart Growth zones.

Proposed Language on Jobs-Housing Balance

It shall be the policy of the State of California to encourage, promote and support achieving a jobs-housing balance to the extent possible within each jurisdiction, county, sub-region, and region.

A jobs-housing balance shall be defined as a dynamic process that plans for and accommodates housing within a given jurisdiction to match population growth and job generation within that same jurisdiction as it is occurring. It is not a static number of ratio of jobs to housing unites that are achieved or reached at substantially-different point in time.

Legislative Vehicle: AB 1112 (Lowenthal) would enable the State to authorize 12 housing transit district that could collect tax increment funds for station area development. This bill would also authorize a housing transit district to issue bonds and enter into other forms of indebtedness for the purpose of constructing affordable housing and transit oriented public improvements within a district or the adjacent area.

Investigate bill from Dutra that also aims at transit oriented development.