CITY OF ROSEVILLE CALIFORNIA

AGENDA
March 23, 2022

CITY COUNCIL
LAW & REGULATION COMMITTEE
4:00 p.m.
Council Chambers
311 Vernon Street
Roseville, California

The meeting may be viewed on Comcast channel 14, Consolidated Communications channel 73, and AT&T U-Verse. City Council meetings are also video streamed live on the City's website at roseville.ca.us/watch and roseville.ca.us/agenda, and the City's YouTube channel at youtube.com/CityofRosevilleCa.

If you need a disability-related modification or accommodation to participate in this meeting, please contact Voice: 916-774-5200, TDD: 916-774-5220. Requests must be made as early as possible.

THE CITY OF ROSEVILLE WELCOMES YOUR PARTICIPATION

If an agenda item is open to public comment, such public comment shall be addressed to the chair of the meeting.

Public Comment - Speakers have three minutes under Public Comment to speak on issues that are not listed on the agenda and are within the City's jurisdiction. The Brown Act does not permit any action or discussion on items not listed on the agenda.

Consent Calendar - If applicable, the Consent Calendar consists of routine items that may be approved by one motion. Any person can remove an item from the Consent Calendar to be discussed separately.

Agenda Items - Speakers have five minutes to address items that are listed on the agenda.

Americans with Disabilities Act - Notify the City Clerk or Secretary at least 72 hours in advance if special assistance is required to participate in a meeting including the need of auxiliary aids or services.

Audio/Visual Presentations - If making a presentation regarding an agenda item, audio/visual materials must be submitted to the City Clerk or Secretary at least 72 hours in advance.

Roseville City Clerk 311 Vernon Street, Roseville, CA 916-774-5200 TDD 916-774-5220

1. CALL TO ORDER

2. SILENT ROLL CALL

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENTS

5. MINUTES

6. REPORTS/COMMENTS/COMMITTEE/STAFF

6.1. State and Federal Priority Legislation - March 2022

Memo from Government Relations Administrator Mark Wolinski and Deputy City Manager Megan Scheid with a report that focuses on priority legislation being tracked regarding public safety, homelessness, and housing. The report also includes an overview of the Governor's proposed Community Assistance, Recovery and Empowerment (CARE) Court and the Little Hoover Commission's report on California Housing: Building a More Affordable Future.

CC #: 1982

File #: 0103-32-02

CONTACT: Mark Wolinski 916-774-5179 mwolinski@roseville.ca.us

6.2. Electric Department Priority Legislation - March 2022

Memo from Utility Government Relations Administrator Amber Blixt and Electric Utility Director Daniel Beans with a report that provides an overview of energy-related legislation and other activities that staff has been monitoring.

CC #: 1983

File #: 0103-32-02

CONTACT: Amber Blixt 916-774-5693 aablixt@roseville.ca.us

6.3. Environmental Utilities Priority Legislation - March 2022

Memo from Utility Government Relations Administrator Noelle Mattock and Environmental Utilities Director Richard Plecker with an informational report on state and federal activities that staff have been engaged in and legislation that staff has identified as potentially having a significant impact on City utility customers and the Environmental Utilities Department.

CC #: 1984

File #: 0103-32-02

CONTACT: Noelle Mattock 916-774-5504 ncmattock@roseville.ca.us

7. ADJOURNMENT

CITY COUNCIL
Law & Regulation Committee

CC #: 1982
File #: 0103-32-02

Title:	State and Federal Priority Legislation - March 2022
Contact:	Mark Wolinski 916-774-5179 mwolinski@roseville.ca.us

Meeting Date: 3/23/2022
Item #: 6.1.

RECOMMENDATION TO COUNCIL

In addition to public safety, two other policy areas that continue to be a focus of the Legislature this year are homelessness and housing. The Legislature continues to grapple with how to effectively address the housing crisis that has beleaguered the state for many years while also struggling to find solutions to the increasing challenges of homelessness. The following report provides a review of bills that may have positive implications if passed and several bills that are being monitored closely to understand what impacts they would have on the City if they were signed into law.

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Other Active Priority Bills – Homelessness and Housing

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Current funding for services for homeless individuals is split across several state departments and state agencies. This single point of contact will simplify the way services are provided to those experiencing homelessness. By consolidating and streamlining the overhead costs, regulations, funding, applications, and bureaucracy of providing services for homeless individuals and services to prevent homelessness at the state level, providers will be able to better serve California's homeless population.

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Community Assistance, Recovery and Empowerment (CARE) Court
Earlier this month, Governor Newsom outlined his proposal to overhaul how people with serious mental illnesses are treated throughout the state. The Governor announced his Community Assistance, Recovery and Empowerment (CARE) Court proposal that would allow family members, clinicians, first responders, and county staff to refer people experiencing a mental health crisis. A judge could require a 12-24 month treatment plan for the individual, including behavioral health services, medication, and housing.

Anyone referred to CARE Court would be represented by a public defender and would be provided a case manager, called a “supporter,” to help craft their specific care plan. Supporters of the proposal, which will need to be approved by the Legislature, say it would provide a more effective and compassionate response to mental illness and substance abuse than directing people through the criminal justice system. The court would not always be a diversion program; people would be able to be referred to it even if they have not been arrested for a crime. Another facet of the court is that it would be able to impose sanctions on counties that do not carry out the care plans.

Some civil and disability-rights groups have begun to oppose the fact that the court would require mandatory treatment programs. They are concerned that if someone does not comply with the court-mandated care plan they could be referred for conservatorship, which remains a highly controversial process.

One element that many supporters and opponents of the proposal agree on is that details about how it will work are scarce. No bill has been written yet, and the administration has started a series of meetings with groups working in the mental health, homelessness, and disability fields, to gain their input.

Little Hoover Commission – Housing

The Little Hoover Commission (Commission) is an independent state oversight agency. By statute, the Commission is a bipartisan board whose purpose is "...to secure assistance for the Governor and itself in promoting economy, efficiency and improved services in the transaction of the public business in the various departments, agencies and instrumentalities of the executive branch of the state government, and in making the operation of all state departments, agencies and instrumentalities, and all expenditures of public funds, more directly responsive to the wishes of the people as expressed by their elected representatives..."

The Commission fulfills this responsibility by listening to the public, consulting with the experts and conferring with the wise. In the course of its investigations, the Commission typically empanels advisory committees, conducts public hearings and visits government operations in action.

Last year, the Commission initiated a review examining how the state and local relationship can be strengthened to increase the supply of affordable housing. It recently released a report (Attachment B) that includes seven specific recommendations to address the housing crisis:

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Ultimately, the Commission's report concludes that there are not enough homes throughout the state to safely house all residents. Subsequently, due to the limited supply of houses, market-rate homes are unattainable for many Californians.

The report goes on to express that the limited supply is a result of increased demand, but the high cost of housing also is the result of policy choices and impacts created by the California Environmental Quality Act (CEQA). Unfortunately, CEQA has been used by some to prevent housing construction they find objectionable.

The collective impact of laws, policies, behaviors, plus conditions outside of Californians' control, is that developers cannot build homes that the median-income Californian can afford. The report concludes by saying that this is a problem that is shared by all Californians and is an incredibly challenging problem that the state and communities must work on collectively to overcome.

Conclusion

Public safety, housing and homelessness remain a significant focus of the Legislature and the Governor. The many and varied complexities related to housing and homelessness continue to produce significant amounts of legislation as solutions are sought that will result in measurable outcomes. Government relations staff continues to work closely with our state and federal lobbyist, trade associations, and others to track and advocate on the list of priority bills.

The following report focuses on priority legislation being tracked regarding public safety, homelessness, and housing. The report also includes an overview of the Governor's proposed Community Assistance, Recovery and Empowerment (CARE) Court and the Little Hoover Commission's report on California Housing: Building a More Affordable Future. Staff requests the committee's input on any of the bills and/or issues that are of particular importance to the committee.

BACKGROUND

In addition to public safety, two other policy areas that continue to be a focus of the Legislature this year are homelessness and housing. The Legislature continues to grapple with how to effectively address the housing crisis that has beleaguered the state for many years while also struggling to find solutions to the increasing challenges of homelessness. The following report provides a review of bills that may have positive implications if passed and several bills that are being monitored closely to understand what impacts they would have on the City if they were signed into law.

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FISCAL IMPACT

The costs of these activities are contained within the City's current budget.

ECONOMIC DEVELOPMENT / JOBS CREATED

The activities detained in this report will not result in job development or creation.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to activities that will not result in a direct or reasonably foreseeable indirect physical change in the environment, or is otherwise not considered a project as defined by CEQA Statute §21065 and CEQA State Guidelines §15060(c)(3) and §15378. The action of reviewing legislation meets the above criteria and is not subject to CEQA. No additional environmental review is required.

Respectfully Submitted,

Mark Wolinski, Government Relations Administrator

Megan Scheid, Deputy City Manager

ATTACHMENTS:

Description

Little Hoover Commission-Attachment A

Attachment A

LITTLE HOOVER COMMISSION

California Housing: Building a More Affordable Future

Report #267 | March 2022



Milton Marks Commission on California State Government Organization and Economy

www.lhc.ca.gov

LITTLE HOOVER COMMISSION

Dedicated to Promoting Economy and Efficiency in California State Government

The Little Hoover Commission, formally known as the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy, is an independent state oversight agency.

By statute, the Commission is a bipartisan board composed of five public members appointed by the governor, four public members appointed by the Legislature, two senators and two assemblymembers.

In creating the Commission in 1962, the Legislature declared its purpose:

...to secure assistance for the Governor and itself in promoting economy, efficiency and improved services in the transaction of the public business in the various departments, agencies and instrumentalities of the executive branch of the state government, and in making the operation of all state departments, agencies and instrumentalities, and all expenditures of public funds, more directly responsive to the wishes of the people as expressed by their elected representatives...

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Its conclusions are submitted to the Governor and the Legislature for their consideration. Recommendations often take the form of legislation, which the Commission supports through the legislative process.

Contacting the Commission

All correspondence should be addressed to the Commission Office:

Little Hoover Commission
925 L Street, Suite 805, Sacramento, CA 95814

(916) 445-2125 | LittleHoover@lhc.ca.gov

This report is available from the Commission's website at www.lhc.ca.gov.

Table of Contents

Letter from the Chair

March 9, 2022

The Honorable Gavin Newsom
Governor of California

The Honorable Toni Atkins
Speaker pro Tempore of the Senate
and members of the Senate

The Honorable Scott Wilk
Senate Minority Leader

The Honorable Anthony Rendon
Speaker of the Assembly
and members of the Assembly

The Honorable James Gallagher
Assembly Minority Leader

DEAR GOVERNOR AND MEMBERS OF THE LEGISLATURE:

Last year, the Little Hoover Commission initiated a review examining how the state and local relationship can be strengthened to increase the supply of affordable housing. The following report details the Commission's research and recommendations.

The Commission learned that California is short by two to three million homes to safely house its population. As a result of a limited supply, many Californians find themselves paying record prices for housing while others are priced out of the market entirely. The consequences of the state's housing crisis are devastating. Many families have plunged into poverty, Californians are being pushed further away from their jobs, and others are thrust into crowded living conditions.

In this report, the Commission offers seven targeted recommendations to address the state's housing crisis. These recommendations are informed by the following themes: affordable home ownership, housing supply, cooperation with local government, addressing historical inequities and preventing new ones, and actions state leaders can take immediately.

Too often, steps to address the state's housing shortage are impeded by a lack of political will or by Californians themselves. The Commission's recommendations seek to provide a pathway forward in tackling this pressing crisis.

The Commission respectfully submits this work and standards prepared to help you take on this challenge.

Sincerely,

Pedro Nava, Chair
Little Hoover Commission

Executive Summary

California is short by two to three million homes to safely house its population. As a result, Californians are paying record prices for housing and far too many are finding themselves priced out of the market.

The implications of California's housing crisis are devastating. The state's poverty rate—when taking into account cost of living—is the highest in the nation. Californians looking for housing they can afford are pushed farther away from their jobs, while others are thrust into crowded living conditions.

Geography, population growth, policy choices, and the behavior of institutional investors limit the availability of affordable housing. However, political will often stands in the way of tackling controversial issues to create long-term housing solutions. Sometimes Californians themselves stand in the way of development.

In this report, the Commission outlines seven recommendations that focus on issues that policymakers can work on immediately to address the state's housing crisis.

Focus on Affordable Home Ownership and Increase Supply

State funding for affordable housing traditionally has focused on rental housing. While it is critical that the state continue its support of renters, the Commission recommends that the state expand its affordable housing strategy, both in policy and funding, to put a greater focus on affordable home ownership. To avoid implementing a strategy this is counter-productive, this policy expansion must also include an emphasis on increasing housing supply.

Consolidate Housing Functions

The state's housing departments are spread across four different agencies and divided under the purviews of the governor and the state treasurer. This organization is inefficient, resulting in confusion over responsibilities, service gaps, and a disconnect between state goals and policies. Multiple elected leaders must share the same housing vision in order to create a statewide strategy, adding an additional layer of complexity.

To help the state craft a better affordable housing strategy and improve operations, California should consolidate housing functions. The state should also consider formalizing a strategic working relationship—either by the Legislature or through MOUs among agencies—between the two constitutional officers and the agencies they oversee.

Jumpstart Affordable Housing Production

The Governor should jumpstart affordable housing production where it is needed most by treating California's housing shortage with the same urgency as the state's wildfire crisis. This includes creating targeted working groups to tackle logistical and policy challenges within a defined period of time and building in CEQA flexibility to expedite projects.

Fill Data and Analysis Gaps

California lacks key pieces of information that would help state leaders better understand the housing crisis and potential solutions. Where data exists, it is not always clear how policymakers use it to make housing more affordable, and antiquated technology stymies progress. Technological problems are magnified at the local level, where some smaller jurisdictions struggle to afford useful technology.

Using the best technology and methodologies available, California should identify data and analysis gaps. The state should transparently use that information in its policymaking. Tools should be shared with local governments either at cost or, preferably, for free.

Measure Progress

California's process for determining how much and where housing needs to be built fails to account for how much housing, particularly affordable housing, is actually built. Furthermore, under the current system, development is not planned where it is needed and is planned in locations that defeat California's climate goals.

The state should reconsider how it measures local governments' progress toward housing goals to include how many units are actually constructed and how those units factor into California's larger climate goals. It may need to reconsider the Regional Housing Needs Allocation process.

Enforce Accountability

The state lacks the tools it needs to effectively enforce local governments' housing plans. To bolster enforcement under the current system, the state should create and fund an ombudsman position in every county with the authority to approve affordable housing projects when a local jurisdiction is noncompliant with its housing element.

To proactively enforce housing requirements, the Governor should direct the Housing Accountability Unit within the Department of Housing and Community Development to develop reasonable standards for when the state should sue noncompliant localities.

Invest in Shared Equity Models

California's long history of discriminatory housing and property ownership policies has excluded groups from home ownership. To make home ownership more accessible to a greater share of Californians, the state should invest in shared equity housing models, such as community land trusts. Under this model, the government or a nonprofit subsidizes the purchase of a home. In return, buyers agree to share a percentage of the home's equity with the agency or nonprofit that helped them purchase it.

To ensure the sustainability of its affordable housing investments, the state should specifically invest in shared equity models that require the unit be sold at below-market prices. Furthermore, to ensure that residents are not stuck with a tax bill they cannot afford, the state should require these units to be taxed at their resale-restricted value.

Introduction

Many Californians think that the major housing policy problem is not lack of housing but keeping California "livable" i.e. unchanged for those who already have (own) a home. People who believe current laws and systems are working just fine, and that we should [consider] only no-impact housing, or that local control dominates all other considerations in the housing arena, oppose the types of systemic improvement in housing delivery proposed [in testimony]. To my neighbors who hold this view—yes, we live in wonderful place, but it is on all of us, in every neighborhood, to embrace change and do our fair share to house the next generation of Californians. If we refuse to accept the responsibility for the future of our children and our workers, then our "Golden State" will be for the "golden people"--wealthier and older homeowners who are cared for by a working underclass that is overcrowded, housing insecure, unable to buy a home, commuting long distances, and not happy about it. This is not the future California I want to leave to our children.

Denise Pinkston, Founder and President
The Casita Coalition

The Problem

California needs an additional 1.8 million to 3.5 million homes to adequately house its population.[1] The Department of Housing and Community Development called for the construction of 180,000 new units annually between 2015 and 2025 to close the gap. Instead, the state has averaged around 80,000 new units per year.[2] Prices go up when demand severely outpaces supply.

The consequences are devastating. California's housing shortage has plunged many families into poverty that otherwise wouldn't be. California's poverty rate, at 11 percent, is on par with the national average when cost of living is not taken into consideration.[3] When it is, California's poverty rate skyrockets to 17.2 percent – the highest in the nation.[4] And in California, the cost of housing is the primary driver of the cost of living.[5] This means that more than 2 million Californians join the ranks of those living in poverty. On average, they spend 50 percent or more of their income on housing.[6] They must work an additional 50 days per year compared to average low-income Americans to meet basic survival needs – food and shelter.[7,8]

The housing crisis results in Californians living farther away from their jobs, resulting in longer commutes with more greenhouse gas emissions, and increased building in areas prone to wildfire and other natural disasters. It has public health implications by forcing Californians to live in more crowded conditions and impacting the mental health of Californians vulnerable to losing their home.[9] Further, housing insecurity contributes to feelings of hopelessness and social conflict.[10]

Recommendations and Discussion

The following themes inform the recommendations in this report:

- **Affordable home ownership.** Existing state programs primarily focus on helping the more than 150,000 Californians without a home and affordable rental housing.[11] The Commission believes it is critical that the state continue its support of renters but asks the state to expand its affordable housing focus to include more affordable homeownership.

- **Housing supply.** California's primary method of helping homebuyers is with down payment assistance. Without more homes, this simply results in buyers bidding up housing costs with the state's backing as they compete for the same homes.
- **Cooperation with local governments.** The state makes laws, adopts statewide building codes, sets goals, and provides financial assistance, while local governments decide "when, where, and to what extent housing development will occur."[12] These separate functions highlight that cooperation is essential.
- **Addressing historical inequities and preventing new ones.** California's long history of discriminatory housing and property ownership policies has had generational effects. The state must acknowledge the long-term harm caused by these practices and invest in models of homeownership that reach Californians who traditionally have been excluded from it. Further, it is imperative to avoid well-intentioned policies that lead to negative consequences, such as displacement, going forward.
- **Actions state leaders can take immediately.** Government agencies, academia, journalists, industry insiders, and private citizens have long sounded the alarm on California's housing shortage. The problem is political will, largely informed by politicians' constituents, particularly the ones who are talented at raising money or organizing votes for elected representatives – or their opponents. California's leaders know which controversial subjects must be tackled to create long-term housing solutions and that these will take time: CEQA reform, Proposition 13 reform, a sustainable funding source, and a larger industry workforce, among others. This report focuses on less-controversial actions the state can work on immediately.

Figure A: The Cost of Housing in California Has Increased at a Faster Rate Than Californians' Incomes

Median California Home Price and Median California Household Income 1984-2020, in 2020 dollars (in thousands).

Source: St. Louis Fed Alfred Archival Economic Data. https://alfred.stlouisfed.org.

Figure B: The Consequences of High Housing Costs

The Legislative Analyst's Office (LAO) outlines the consequences of California's high housing costs in its 2015 report, *California's High Housing Costs: Causes and Consequences.* The many negative consequences include:

CROWDING

Californians are four times more likely to live in crowded housing than the average American. LAO statistical analysis found a correlation between crowding and a metropolitan area's median home prices: As home prices go up, so does the likelihood of crowding.

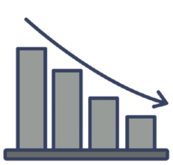
This matters because research shows that those who live in crowded conditions suffer increased levels of stress and aggression. Crowding weakens relationships between parents and children. Research suggests that crowding results in sleep disruptions, with harmful repercussions. Children living in crowded conditions have lower grades and test scores than their uncrowded peers, and have more behavioral challenges in the classroom.

LONGER COMMUTES

In order to afford housing, more California workers have adopted the "drive until you qualify" approach, increasingly living further away from their jobs. The LAO found that a 10 percent increase in a metropolitan's median rent is correlated with a 4.5 percent increase in individual commute times.

HARDER TO RECRUIT EMPLOYEES

High housing prices mean that employers must pay higher wages to keep up with the cost of living. Additionally, higher housing costs can make it more challenging to recruit talented employees. In a Silicon Valley Leadership Group survey, nearly three-quarters of the C-Suite respondents identified employee housing costs as the top challenge for the region's employers.



STYMIED ECONOMIC GROWTH

Large cities typically have higher economic growth than other areas, but this has slowed due to prospective workers not being able to afford to live in those cities. While we do not have California-specific data, a joint UC Berkeley and University of Chicago study found that the United States GDP is 13 percent lower than it would have been because of housing supply in large cities.

Source: California Legislative Analyst's Office. March 17, 2015. California's High Housing Costs: Causes and Consequences. https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf

Recommendation 1

California should expand its affordable housing strategy, both in policies and funding, to place a greater emphasis on affordable home ownership. This policy expansion must include an emphasis on increasing housing supply.

Governor Gavin Newsom and the Legislature deserve credit for a historic commitment to affordable housing. Governor Newsom's first budget allocated $1.75 billion to increase affordable housing supply.[13,14] The 2021-22 budget included $10.3 billion for the planning, production, and preservation of affordable housing.[15] Governor Newsom has requested an additional billion in the FY 2022-23 budget, largely to support infill development and redevelopment in cities.[16] All of this funding is much needed, but it primarily has been one-time funding and much of it reflects an unexpected budget surplus. Further, most state funding for affordable housing traditionally has been for rental housing. The Commission believes the state should reorient its focus to include more home ownership.

NIMBYism

The largest obstacle to creating more affordable housing, a reporter for the New York Times concluded, is sociological. He described the experiences and thought process of former Lafayette City Manager Steve Falk in 2012-13:

A developer had proposed putting 315 apartments on a choice parcel along Deer Hill Road — close to a Bay Area Rapid Transit station, and smack in the view of a bunch of high-dollar properties. […] Zoning rules allowed it, but neighbors seemed to feel that if their opposition was vehement enough, it could keep the Terraces unbuilt.

In letters to elected officials, and at the open microphone that Mr. Falk observed at the City Council meetings, residents said things like "too aggressive," "not respectful," "embarrassment," "outraged," "audacity," "very urban," "deeply upset," "unsightly," "monstrosity," "inconceivable," "simply outrageous," "vehemently opposed," "sheer scope," "very wrong," "blocking views," "does not conform," "property values will be destroyed," and "will allow more crime to be committed."

Mr. Falk could see where this was going. There would be years of hearings and design reviews and historical assessments and environmental reports. Voters would protest, the council would deny the project, the developer would sue. Lafayette would get mired in an expensive case that it would likely lose.

Though Mr. Falk began his career as a local control advocate concerned with maintaining local character, he changed his views after years of working with housing advocates then watching his own children struggle to afford housing. His newfound support of Governor Brown's threats to override local control in affordable housing in general and the Terraces development project in particular led to a public rebuke from the City Council, an offer of a sheriff's escort for the Terraces representative to safely reach her car following a City Council meeting, and Mr. Falk's resignation.

Source: Conor Dougherty. February 13, 2020. Updated February 12, 2021. "Build Build Build Build Build Build Build Build Build Build Build Build Build Build." New York Times. https://www.nytimes.com/2020/02/13/business/economy/housing-crisis-conor-dougherty-golden-gates.html. Accessed August 10, 2021.

"Homeownership is affordable housing," testified Debbie Arakel, executive director for Habitat for Humanity California.[17] She continued:

> *California's investment is too low on production overall, but undisputedly nearly all affordable production dollars go toward rental housing, with a tiny percentage for affordable homeownership.*
>
> *For example, between CalHFA and Housing and Community Development [...] only one program exists to support affordable ownership production, the CalHome program. This is the one program where nonprofit affordable developers such as Habitat for Humanity, can compete for funds. There are a few other programs that don't explicitly exclude ownership housing, but program criteria are specifically designed around rental production and the scoring follows suit. Unfortunately, the CalHome program is underfunded and woefully oversubscribed by millions of dollars. During the last award cycle, the program was oversubscribed by 157 million [dollars], about three times the amount awarded.*[18]

The state's underinvestment in home ownership matters because home equity is how most Americans build and pass on wealth. The median net worth of an American homeowner is $255,000, while the median net worth of a renter is $6,300.[19] Home equity particularly is important for low-income homeowners: It represents 81 percent of net wealth for the bottom quintile of earners, whereas at the top it comprises just 24 percent.[20]

Unlike rents, a standard fixed-rate mortgage will stay stable over time, freeing up more income for other necessities, savings, and investment in the future as the homeowner's earnings, in theory, increase over time. A household that spends so much on housing that it has difficulty affording other necessities is considered cost-burdened. The threshold for this is 30 percent of a household's income, and 3 million out of California's roughly 13 million households are considered cost-burdened.[21] Approximately 1.6 million of those households are considered severely cost-burdened, meaning they spend more than 50 percent of their income on housing.[22] As a reference point, California's top quartile of earners spend an average of 16 percent of their income on housing.[23]

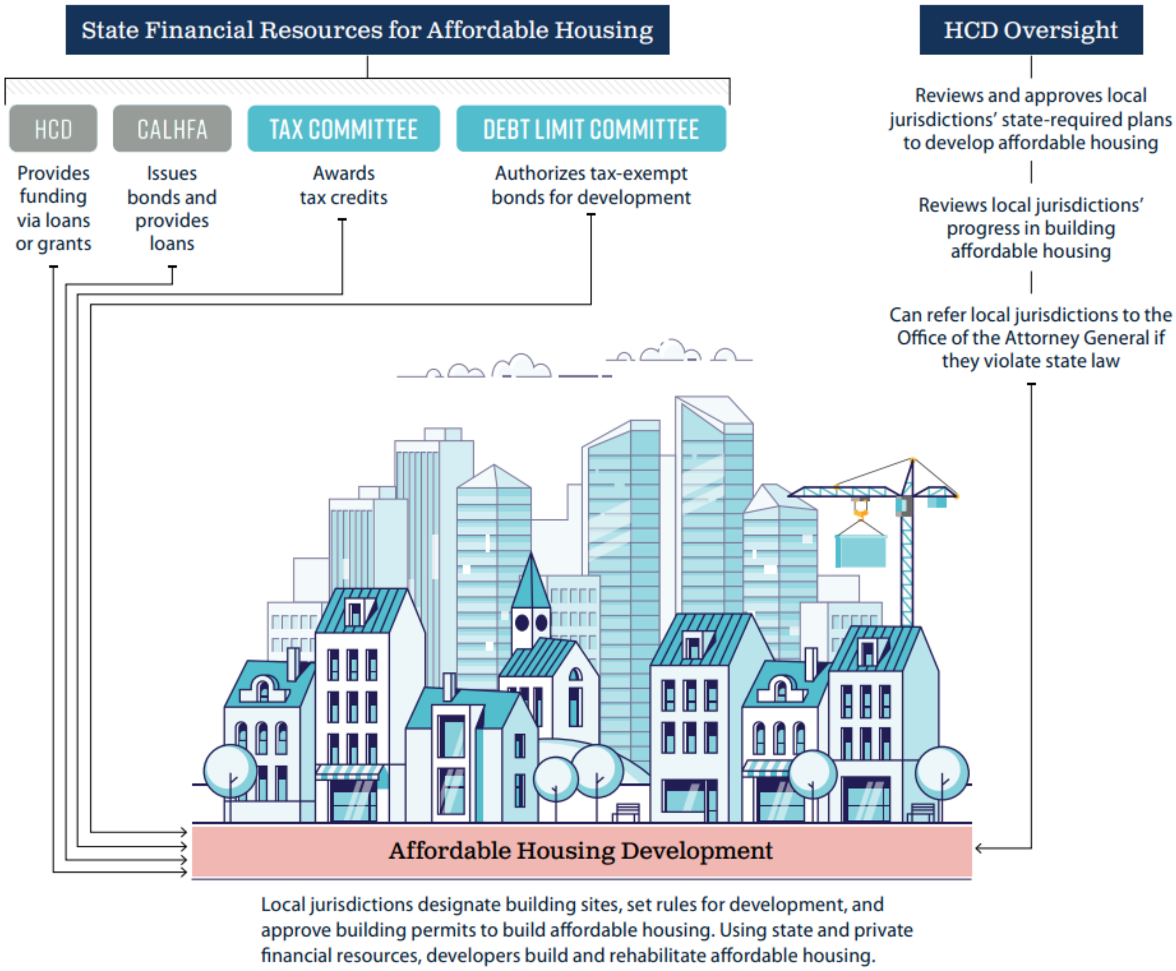
The state's underinvestment in home ownership matters because home equity is how most Americans build and pass on wealth.

A focus on affordable home ownership is counter-productive, however, without simultaneously increasing housing supply. California's primary program for homebuyers is down payment assistance. Without addressing the housing shortage, Ms. Arakel testified, "The reality is that 'would be' low-income buyers can't find homes for sale in their price range and even with down payment assistance, they are simply driving up the home price, competing with other low-income buyers."[24]

AFFORDABLE HOME OWNERSHIP REQUIRES SUSTAINABLE STATE INVESTMENT

California must create a steady funding source to accompany a new focus on affordable home ownership. Former chief of HCD and California Housing Finance Agency (CalHFA) Claudia Cappio testified that such funding "would enable the development of a more stable, long term housing investment strategy, particularly when coupled with other state revenue streams such as bonds, budget allocations and tax credits. It would also minimize the boom and bust cycle of housing bond funding where HCD, in particular, has to massively ramp up personnel and administration to get the funding out and then ramp back down when the program is completed."[25]

Figure C: From the California State Auditor: Housing Roles and Responsibilities



This graphic by the California State Auditor shows the primary agencies responsible for affordable housing and describes their roles. The Little Hoover Commission has altered the image to indicate which state agencies fall under the governor (grey) and which fall under the state treasurer (light blue).

Source: California State Auditor. Report 2020-108. "California Housing." http://www.auditor.ca.gov/pdfs/reports/2020-108.pdf

Recommendation 2

The state should consolidate housing functions. This would increase efficiency, create a seamless customer service experience, and help ensure that more Californians live in safe, sustainable, and affordable housing.

The state's housing departments are spread across four different agencies. Additionally, the California Department of Veterans Affairs (CalVet) provides home loans to veterans. There are smaller programs that also work on housing. For example, the state's Domestic Violence Housing First program, which helps survivors stay in their existing home or find new permanent housing, is located within the Governor's Office of Emergency Services.

The current organization is inefficient, results in important service gaps, entrenches a disconnect between state goals and policies, and requires multiple elected leaders to share the same housing vision to create a statewide strategy.

Ms. Cappio testified to the inefficiency of the current organization by breaking down the agencies responsible for three major tools of home finance – debt, equity, and subsidy – as well as asset management, which involves monitoring the assets each agency manages and reporting to state and federal government primarily on physical condition, tenancy, and financial audits. Figure D depicts her description.

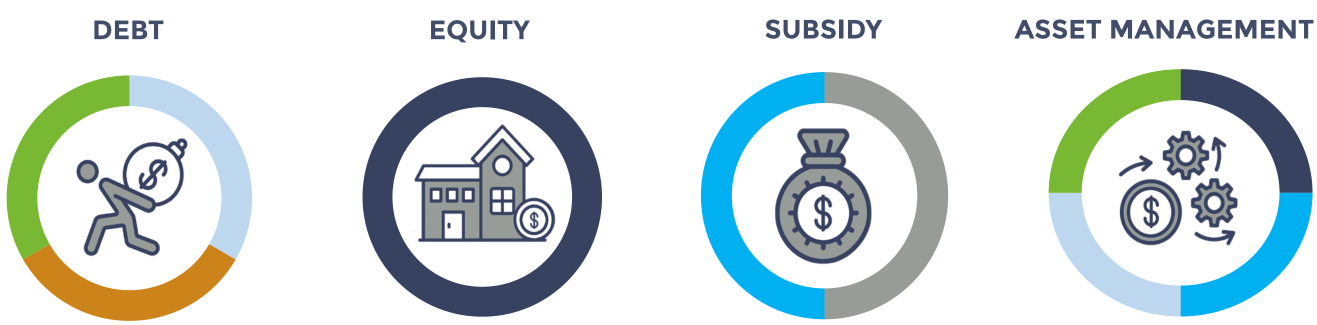
With similar functions spread across so many agencies, there can be confusion over responsibilities that results in service gaps. Ms. Arakel testified that HCD staff, "shared that their role is to promote affordable housing which they interpret as rental housing. Furthermore, they expected that CalHFA was fully addressing ownership housing needs." However, she testified, "CalHFA members expect that ownership production is being funded by HCD."[26]

GOALS AND THE POLICIES TO ACHIEVE THEM AT CROSS PURPOSES

California's leaders have made adapting to climate change a key policy priority. Toward that end, leaders have called for state housing policy to focus on dense infill development and reduce distances Californians drive to work.[27] However, dense infill development often is opposed by current residents, who are concerned about traffic, the loss of open space and other issues. Furthermore, infill development is often so expensive that only well-off Californians can afford to pay market rates. Denise Pinkston, partner with San Francisco-based developer TMG Partners, testified: "Modern mid-rise (4+ floors) buildings are complex. They incorporate costly concrete parking structures and require generators, fire life safety systems, elevators, and full ADA systems that are not required for much lower density stick frame and single-family homes. It costs over $700,000 PER UNIT in much of California to build a mid-rise apartment home," she explained.[28]

Consequently, local opposition to new housing and the expense of infill development combine to result in increasing numbers of homeowners living increasing distances from their jobs, which is inconsistent with California's climate change focus. A 2019 UCLA study on planned housing capacity quantified this. Busy coastal metropolitan areas

Figure D: Some Housing Functions Are Performed by Multiple Agencies

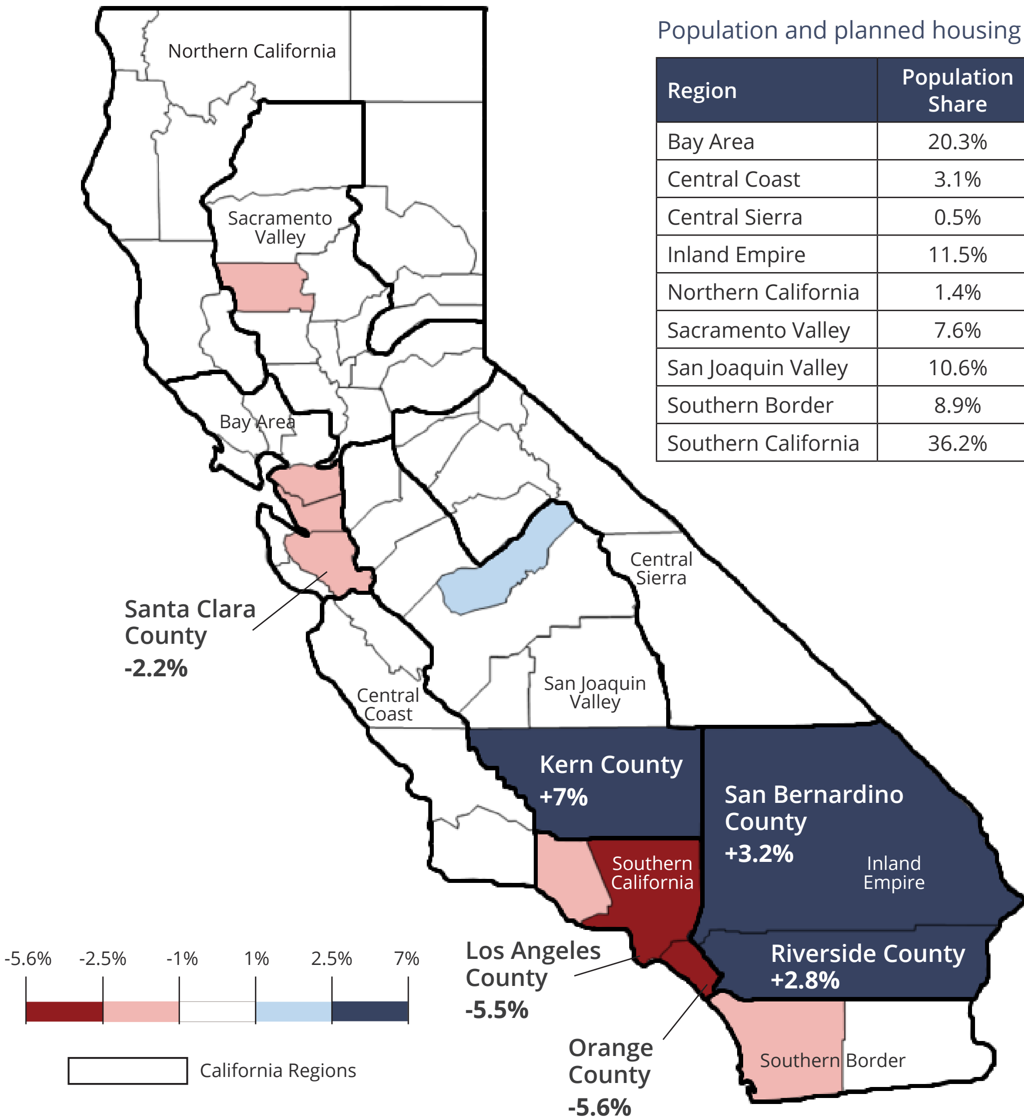


- CalHFA: California Housing Finance Agency
- CDLAC: California Debt Limit Allocation Committee
- TCAC: California Tax Credit Allocation Committee
- HCD: Housing and Community Development Dept.
- CSD: Community Services and Development Dept.
- CalVet: California Dept. of Veterans Affairs

Source: Claudia Cappio, Former Local Planning Official and Former Director, California Housing Finance Agency and Former Director, Housing and Community Development (2011-2015). September 23, 2021. Written testimony to the Commission. Page 1.

Figure E: UCLA Research Shows Mismatch Between Planned Housing Capacity and Needs

Difference between population and share of statewide planned housing capacity share by region



Population and planned housing capacity share by region

Region	Population Share	Planned Capacity Share	Difference
Bay Area	20.3%	13.3%	-7.0%
Central Coast	3.1%	1.7%	-1.4%
Central Sierra	0.5%	0.8%	0.3%
Inland Empire	11.5%	17.5%	6.0%
Northern California	1.4%	3.6%	2.2%
Sacramento Valley	7.6%	9.1%	1.5%
San Joaquin Valley	10.6%	21.7%	11.0%
Southern Border	8.9%	8.3%	-0.5%
Southern California	36.2%	24.1%	-12.1%

IMAGE REPRODUCED FROM ORIGINAL SOURCE: UCLA. February 2019. "Not Nearly Enough: California Lacks Capacity to Meet Lofty Housing Goals." https://www.lewis.ucla.edu/research/california-lacks-capacity-to-meet-lofty-housing-goals/.

overwhelmingly are not planning housing that meets their population needs, while inland areas appear to be planning for a population influx.[29]

ELECTED LEADERS MUST HAVE SHARED VISION

Housing functions are divided among agencies under the purviews of the governor and state treasurer. As both are independently elected officials, a statewide strategy for affordable housing requires both officials to share the same vision for housing. To be clear, the Commission is not remarking on the relationship between the current governor and state treasurer, but highlighting a structure that is difficult under the best of circumstances. No matter how good the relationship between a governor and state treasurer, voters can change either or both of those office holders every four years. It is challenging enough to craft a decades-long strategy that will survive policymaker turnover; adding another constitutional officer to the mix makes it that much harder.

With similar functions spread across so many agencies, there can be confusion over responsibilities that results in service gaps.

CONSOLIDATION

At a minimum, the state would benefit from functional consolidation across state agencies. Consolidating the functions Ms. Cappio detailed at the beginning of this section would allow the state to better create an affordable housing strategy, improve everyday operations, and streamline the process for developers interested in affordable housing.[30]

The state should also consider formalizing a strategic working relationship between the two constitutional officers and the agencies they oversee. This could be done by the Legislature or through MOUs between the agencies. A sunset clause would allow for a reassessment of how this has worked. Californians deserve the benefits that a cohesive strategy and consolidated functions would provide.

Recommendation 3

The governor should jumpstart affordable housing production where it is most needed by adopting the model used to attack California's wildfire crises. This includes:

- **Assigning key stakeholders to working groups to tackle logistical and policy challenges within a defined period of time.**
- **Requiring stakeholders to identify the areas in which affordable housing is most urgently needed and, issuing executive orders if necessary, completing projects meeting those needs within a defined period of time.**
- **Building in CEQA flexibility to expedite the projects. At a minimum, the state should require CEQA challenges to be resolved within a year – a provision it has adopted in the past to quickly build sports arenas. A team should be assigned to monitor these processes, identify pain points and best practices, and make recommendations to the Governor and Legislature on how to roll this out statewide.**

California's housing shortage should be treated with the same urgency as the state's wildfire crises. The difference between the two is that the devastating effects of wildfire on people, homes, the economy, and the environment can be seen immediately, whereas similarly devastating effects caused by the housing shortage are slower to appear. Further, wildfire does not discriminate, while wealthier Californians are able to distance themselves from the immediate impacts of the housing shortage.

FOCUSED WORKING GROUPS

The Commission urges the state to adopt for housing the model it uses to combat high-intensity wildfires. In it, state task forces assigned stakeholders from all levels of government and outside of government to working groups identifying logistical and regulatory challenges and proposing solutions to create resilient forests. Far from being death by committee, these task forces had set goals, meetings, and deadlines to report their results. Governor Newsom supercharged this effort by ordering CAL FIRE to identify potential projects in the areas of highest need, then declaring a state of emergency to complete the 35 identified projects within a year. This entailed suspending procurement rules, state statutes and regulations, including CEQA (with the cooperation of the California Natural Resources and California

Environmental Protection Agency Secretaries), and adjusting workforce licensing requirements, among other provisions.[31,32]

The Commission believes a similar approach would galvanize state efforts to combat the affordable housing crisis. It suggests using the UC Berkeley Terner Center's analysis of the costs of construction as a starting point when creating working groups.[33] Funding to participating state agencies should be increased to account for the additional workload, while grants should be provided to organizations outside of state government so they can afford to participate.

ENVIRONMENTAL REVIEW

The Commission recommends the governor assign a team to monitor the impacts of relaxed CEQA application. This team should create recommendations for the administration and legislature on permanently adjusting those laws and processes to hasten affordable housing production while also protecting the environment.

The latter is necessary because CEQA often is used beyond its original scope to kill housing projects. For example, the Commission learned of a proposal that would create 300 units of high-rise housing next to public transportation. The developer agreed to use union labor and pay $20 million to the community to be used for affordable housing and mitigate the impacts of construction. The environmental impact review (EIR) process included 35 public hearings spanning two years. The proposed project was put on the ballot twice, and both times the region's residents voted in favor of it. The city council approved the project. After the project was approved, however, an individual filed an EIR lawsuit claiming the nearby public transportation did not have the capacity to accommodate the additional people the high-rise would serve, and that the EIR had not properly analyzed this. The court rejected the lawsuit nine months later, but the housing market had shifted over the nearly three-year planning process. Lenders pulled their funding commitments because the developer could not prove that it could repay them under the new market conditions, and the project died.[34]

Recommendation 4

California must identify data and analysis gaps that prevent its leaders from fully understanding the housing crisis and potential solutions. It should collect and analyze that data using the best available technology and methodologies, and share those tools with local governments either at-cost, or preferably, for free. Finally, it should transparently use that information in its policymaking. Identified areas of concern include development fees, mass home purchases by institutional investors, and the cumulative impact of laws and regulations on the cost of housing.

California has a data problem. While four different housing agencies collect and report certain data, decision-makers lack key pieces of information that would provide a complete picture of the housing crisis and potential courses of action. Where data does exist, it is not always clear how policymakers use it to make housing more affordable. Additionally, some of the state's own technology is antiquated and local governments do not always have the means to apply state-of-the-art technology to their data collection, planning, and implementation processes.

DATA GAPS

Development Fees. Development fees are an important example of missing data. No one has a complete list of fees and what they are used for in every jurisdiction. The Terner Center conducted a seven-city analysis of development fees and a 40-jurisdiction study on impact fees, a subset of development fees; their subsequent reports described a shocking lack of transparency. Though some cities provide an option to calculate some or all development fees up front, in other major metropolitan areas, such as Oakland and Los Angeles, developers only learn what fees were charged when they're billed after the project is complete.[35] These types of fees can add more than $150,000 to the cost of a home on top of land, labor, materials, and other expenses.[36] State government cannot combat the housing crisis without knowing how much it actually costs to build housing.

Institutional Investors. Another important example of missing data is the impact of institutional investor home purchases on the housing crisis. Since the Great Recession, financial institutions have snapped up single-family homes worldwide to rent or hold onto until property values increase. They first targeted foreclosed homes, though since then many have developed systems to evaluate all homes on the market. It is difficult for individual homebuyers to compete with institutions. One company prides itself on being able to analyze all homes in a targeted area within 15 minutes of appearing on the Multiple Listing Service, and make a cash offer on homes that meet its criteria within two hours.[37]

State government cannot combat the housing crisis without knowing how much it actually costs to build housing.

The extent of institutional investment and the impact of the state's housing market is controversial, with some saying it is a serious problem and others saying there are so few investor-owned homes that it doesn't warrant policymaker attention. Part of the problem is that county assessor information isn't very useful in determining who owns a home: Many older homeowners place their home in a trust to make it easier for their children to inherit, and it is common for smaller landlords to incorporate as LLCs.[38] There is no easy way to separate out which corporation-owned homes belong to individuals, and which are owned by institutions. In 2018, the Legislature enacted a law that would require a registry of the largest institutional investors, but Governor Brown vetoed it, saying that a database would not stop the problem.[39,40] A second attempt that also included a tax died in committee in 2021.[41]

The Commission believes that additional data is needed to assess this problem. In order to craft a policy solution, the state must first know the size and scope of the problem.

TECHNOLOGY

The state needs to upgrade some of its housing-related technology. Former state housing director Ben Metcalf testified that the state's current IT platform for tracking local government housing element compliance – the Housing Element Tracking Systems – is antiquated. The system "does not currently offer a robust system for tracking and flagging failures of cities and counties to achieve the programmatic commitments incorporated into their Housing Elements."[42]

The state's technological problems are magnified at the local level, where many smaller jurisdictions struggle to pay for software and other helpful technology. At a minimum, the state should use its bulk purchasing power to buy tools, such as GIS software licenses, at a lower cost than a small local government would be able to negotiate on its own, then provide it at-cost to local jurisdictions. However, because local governments are instrumental in facilitating housing, and the housing shortage is so severe, the Commission believes California would be best served if the state completely subsidized appropriate technology for local governments.

HOUSING POLICY CANNOT BE MADE WITH ANECDOTES AND GUT FEELINGS

Once the state has good data, it must use it effectively in making policy. An important area where the intersection of data and technology can aid decision-making is the cumulative impact of laws and regulations on housing development. "Estimating the likely impact of specific housing policy changes has historically been an anecdotal undertaking," Mr. Metcalf testified. "To the extent analyses of specific housing regulations have been modelled, such as housing impact fees or parking requirements, such models typically focus on one policy at a time. In reality, land use and housing policies interact with one another to influence the likelihood of residential development."[43]

Mr. Metcalf described a tool created by the Terner Center that aggregates the impact of housing policies down to the parcel level. Users can see changes under different market conditions. The tool allows users to understand the "likely probability of new housing development under different scenarios" and the underlying constraints inhibiting development.[44] Mr. Metcalf concluded, "Some policy interventions that policymakers and advocates prefer may yield counterintuitive results – sounding good in theory but resulting in a trivial, or even negative, change in developable parcels. While no model can perfectly predict future development activity, policymakers' decision-making processes should be based on the best evidence and analysis available."[45]

Recommendation 5

The state should reconsider how it measures local governments' progress toward housing goals to include how many units are actually constructed and how those units factor into California's larger climate goals.

Figure G shows the process conducted by the state and regional governments to determine how much and where housing needs to be built. This is called the Regional Housing Needs Assessment (RHNA). In short, HCD assigns each region an estimate of how many units need to be built over the next eight years to meet current population needs plus forecasted growth. Regions divide that estimate among individual jurisdictions, and those jurisdictions must prove in the housing element portion of their General Plan that they have "adequate capacity of developable sites" to meet their share. There is no standardized definition of adequate capacity.[46]

A housing allocation process that fails to account for how much housing is actually built is fundamentally flawed.

Missing from this process is accountability for how much housing, particularly affordable housing, is actually built.

The advantage of the current system over focusing on units built is that is that zoning is within local jurisdictions' control, whereas local governments can't force developers to build. Because a method of measurement is easier, however, does not make it useful.

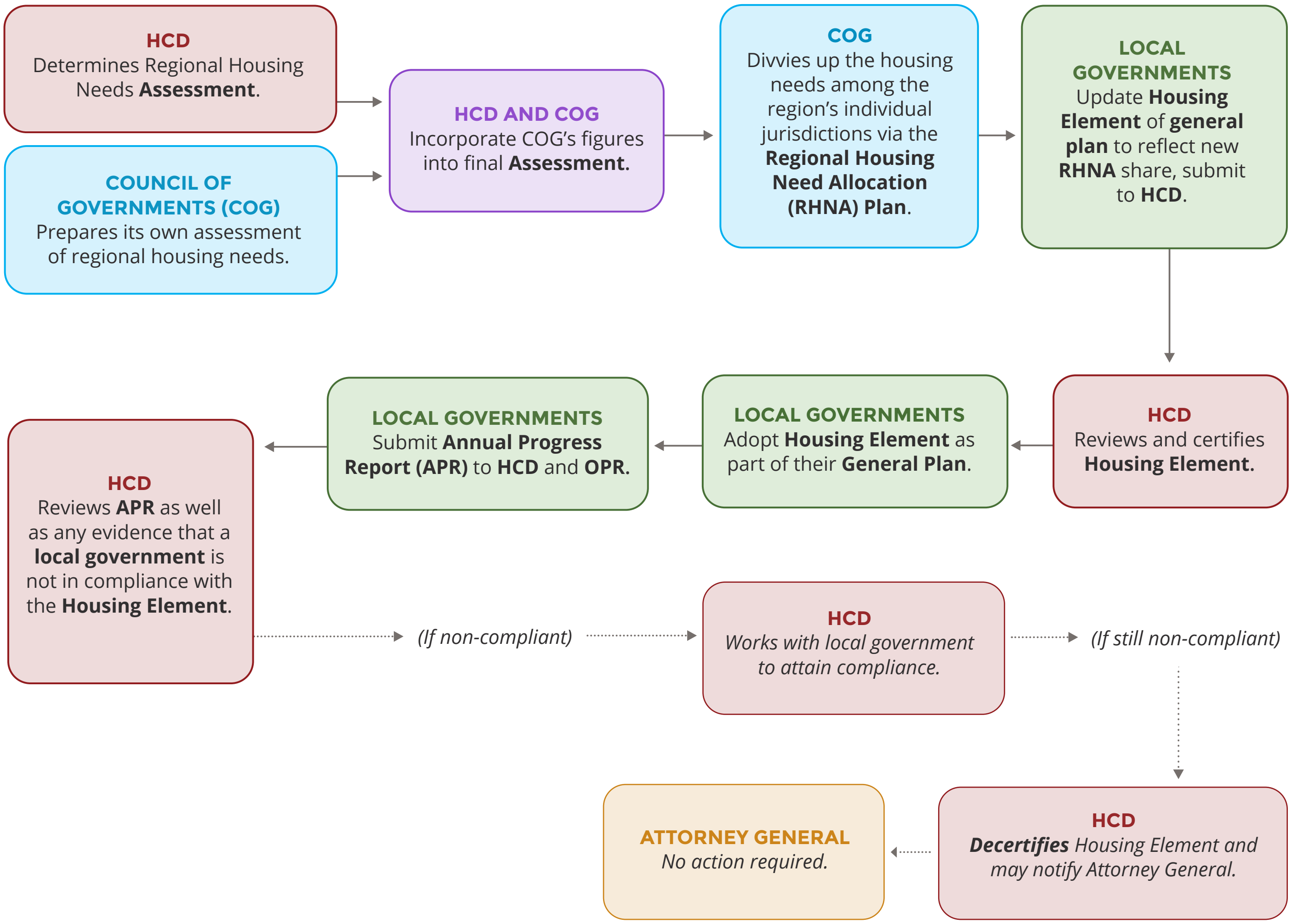
A housing allocation process that fails to account for how much housing is actually built is fundamentally flawed. The state's evaluation of local governments' progress toward housing goals should include how many units are actually constructed.

The state also should prioritize redevelopment and infill development to be consistent with larger climate goals. Under the current system, development is not planned where it is needed and is planned in locations that defeat California's climate goals.

The state also must consider its own actions when assessing those of local governments. If the state with all its resources cannot subsidize costly infill- and redevelopment, how can it expect smaller local governments to do so?

Higher-accuracy planning that focuses on development where it is needed and takes into

Figure G: Affordable Housing: The State and Local Process (A Layperson's Guide)



GLOSSARY

Annual Progress Report: Annual reporting of a jurisdiction's progress in fulfilling its Housing Element.

Assessment: The determination of how much housing and at what affordability levels a region needs to meet the needs of the people who live there.

Council of Governments (COG): City and county governments within a region that meet to determine regional housing needs.

Decertification: Local governments may lose control over approval of affordable housing projects if stakeholders pursue a court order.

General Plan: A local government's blueprint on how it will develop and manage conservation, housing, land use, open space, noise, safety, and transportation.

HCD: California Department of Housing and Community Development.

Housing Element: Component of General Plan that includes an analysis of a jurisdiction's housing needs for all income levels and its plan to meet those needs.

Local Governments: City and county governments.

OPR: Office of Planning and Research.

Regional Housing Need Allocation (RHNA) Plan: The plan that outlines the new housing quantity and price points assigned to each jurisdiction within a region.

consideration the state's actions likely would require redesigning or scrapping the current RHNA process. The first use of the current process began in 1969 after the state enacted a law requiring cities to plan for their community's housing needs at all income levels. More than 50 years later, California is short by two million to three million homes, the home ownership rate is at the lowest level since the 1940s, and housing costs have plunged more than two million Californians into poverty. The system must be changed.

Recommendation 6

The state should better enforce its housing requirements by creating and funding an ombudsman position in every county with the authority to approve affordable housing projects when a local jurisdiction is noncompliant with its housing element. Additionally, the governor should direct the Housing Accountability Unit within the Housing and Community Development Department to proactively enforce housing requirements and develop reasonable standards for when a case should be brought to the state's Department of Justice to sue noncompliant localities.

The state lacks the tools it needs to effectively enforce housing elements. Though the Commission argues for reworking the current RHNA/housing element approach, in the meantime the state must be able to enforce its current system. HCD may decertify a housing element and notify the Attorney General, but a provision requiring the Attorney General to sue noncompliant localities was stripped from the decertification bill. A different bill that would have given the state the power to fine noncompliant localities did not pass.[47]

Decertification means a local jurisdiction loses the ability to deny permits for certain types of affordable housing until it is back in compliance. The process to "automatically" receive a permit when a locality is in noncompliance usually is to obtain a court order requiring the locality to issue the document. However, developers can be reluctant to take local governments to court over affordable housing because they will need to work with them in the future on other more profitable projects. Further, California's court systems are notoriously overwhelmed. To mitigate this, the Commission recommends the state create in each county a housing ombudsman who has the authority to approve affordable housing projects until a noncompliant locality is recertified. Because there are several hundred jurisdictions throughout California that can add their own building requirements to the state's, these ombudsmen should be required to adhere only to the statewide codes set by the California Building Standards Commission. Exceptions can be made for evidence-based local codes proven indispensable for health and safety.

The state lacks the tools it needs to effectively enforce housing elements.

HCD has long enforced housing elements by writing letters to cities cautioning them that their actions might violate state housing law. It largely has relied on third parties to inform it of violations. The state may sue localities violating its housing requirements. However it has only done so once in the past decade. Consequently, the Commission recommends the department's newly-created Housing Accountability Unit develop reasonable standards for when the state should sue noncompliant localities. The state should focus its enforcement on jurisdictions whose annual rates of permitting are lagging. Whether a jurisdiction is lagging should be determined by comparing their permitting rate to their assigned targets, and by statistical models that use comparable jurisdictions to predict an approval rate.[48]

Recommendation 7

To help lower- and middle-income Californians become homeowners, prevent displacement, and preserve its affordable housing investments, the state should invest in shared equity models such as community land trusts. As part of this effort, California should:

- **Place a particular emphasis on the participation of individuals from groups historically excluded from home ownership.**
- **Tax all resale-restricted housing at the resale-restricted value.**
- **Require state-funded shared equity housing to be sold below market value in order to preserve the state's affordable housing investment.**

Groups that historically have been excluded from home ownership or forced into low-value areas are hit particularly hard by California's high housing costs because they have been denied the generational wealth-building opportunities afforded to other Californians.

The state's racist history regarding home and property ownership is plain. One example is Berkeley's adoption of the state's first single-family home zoning law. In the early 1900s, developer Duncan McDuffie built neighborhoods with racial covenants that prohibited people of color, a common practice at the time. He worried about people of color moving to nearby neighborhoods without such restrictions, and was alarmed at the prospect of a black-owned dance hall moving to the area, as it likely would attract black people. Working with like-minded civic leaders, in 1916, he successfully pushed for his city to adopt a single-family zoning law. That measure kept the dance hall out. Because racism artificially depressed the wages of non-white workers, prices for single-family homes were above what most people of color could afford, thus the zoning also effectively limited certain areas to white residents.[49] (In 2021, Berkeley voted to eliminate single-family zoning.)

Government-sanctioned racism has been the norm since statehood, not the exception. Early laws barred Asian people from owning land. Redlining effectively limited the availability of mortgages to predominantly white areas. The state constitution was changed to allow communities to vote on whether publicly-funded low-income housing may be constructed there. In these and other ways, people of color have long been denied equal housing access in California. Many laws were changed in the aftermath of the civil rights movement to remove explicitly racist language from housing statutes, but racism persisted in practice: Real estate agents directed buyers and renters to the "right" neighborhoods; lenders targeted people of color during the subprime mortgage crisis; and even today there is evidence that black-owned homes are appraised lower than white-owned homes when all else is held constant.[50] Today, about 63 percent of non-Hispanic white families own their home in California, compared to 36 percent of black households.[51]

The state can make housing accessible to a greater share of Californians by investing in shared equity housing. In this model, the government or a nonprofit subsidizes the purchase of a home, allowing lower-income buyers to buy a home without taking on the risky mortgages that preceded the 2008 housing crash. In return, buyers agree to share a percentage of the home's equity with the agency or nonprofit that helped them purchase it. The contract between homebuyers and subsidizers delineates the formula that determines the resale value of the home. For example, the resell value of the home may increase by three percent a year, with a homebuyer receiving a larger percentage if they make capital improvements.

A critical benefit of the shared equity model is that it can help prevent displacement through gentrification

Community Land Trusts: One Model of Permanent Affordable Housing

Community Land Trusts (CLTs) tackle the most expensive component in California homebuilding: land. A nonprofit or government organization buys land, puts it into a trust, then sells the homes on the land for below-market value. The buyer agrees to resell it at a below-market rate. The land underneath the home remains the property of the trust, which offers low-cost leases to homeowners. Homeowners typically are required to participate in the CLT's governance.

CLTs are being used in innovative ways. Los Angeles-based Fideicomiso Comunitario Tierra Libre helps residents in Boyle Heights and East Los Angeles at risk of being displaced. Working with nonprofits, residents created the CLT, which has purchased empty lots and a multifamily building for affordable housing. Working with four other Los Angeles-area CLTs, they won $14 million from a Los Angeles CLT pilot program to expand their work. In addition to empowering residents to stay in their community, the CLT has helped residents have a voice in their community's future.

CLTs offer other opportunities. The Irvine Community Land Trust helps the city meet climate change goals: It is building expensive infill housing designed to be affordable and environmentally sustainable. A portion of this housing is reserved to help Californians experiencing homelessness and mental illness. In Florida, the Florida Keys Community Land Trust acquires properties destroyed in Hurricane Irma, and builds homes designed to withstand future hurricanes on them. This could be a model for recovery following natural disasters in California.

Californians should be proud of how CLTs already are working to extend homeownership to people traditionally excluded from those opportunities: Nearly 80 percent of CLT participants in California are people of color.

The success of resale-restricted housing depends on taxes that reflect how much the home can be sold for instead of the market value of nearby properties. Legislation largely has focused on reducing the tax burden for CLTs serving low- and moderate-income people. The Commission commends this step but believes the state must go further. Given California's housing costs, many people whose earnings exceed the definition of moderate income cannot afford a home and would benefit from a shared-equity model with appropriate tax relief. We recommend limiting the tax burden to the resale-restricted rates of all applicable shared-equity models, not just CLTs serving low- and moderate-income people.

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pressures by helping residents purchase homes in the neighborhood in which they already live. Not coincidentally, these are the same neighborhoods where many historically-excluded Californians reside.[52]

Often, homeowners who receive government assistance in purchasing their home later sell it at the market rate. To ensure the sustainability of its affordable housing investments, the state should specifically invest in shared equity models that require the unit be sold at below-market prices. Further, the state should require these units to be taxed at their resale-restricted value; it does no good to assist a lower-income Californian to purchase a home in an expensive metropolitan area if they receive a tax bill for the market value of the home. Finally, the state must take care to ensure that these opportunities are presented to those who have previously been hurt by discriminatory policies and practices. While we cannot change the past, we do have the power to change the present and future if we so choose.

Conclusion

California does not have enough homes to safely house all of its residents. As a consequence of this limited supply, market-rate homes are unattainable for many Californians.

To some degree, this limited supply is a result of increased demand caused by decades of population growth. It is also sometimes the result of natural conditions, such as limitations to the water supply or the fact that many large metropolitan areas in California are near the ocean and/or mountains.

But the high cost of housing also is the result of policy choices. Examples include California's 1978 Proposition 13, which limits property taxes for homeowners. In effect, the initiative stripped local governments of revenue needed to provide the services their constituents still demanded. One result? Local governments impose development fees on new construction, in some cases adding six figures to the cost of each unit.[53] Another example is CEQA, created to protect California's environment. It has been weaponized by some not to protect critical habitats, but to prevent construction that they would find annoying.

Other factors also limit the availability of affordable housing. Worldwide, corporations are buying homes, often in large lots, that they can later rent or flip. A first-time homebuyer, often cobbling together financing from a variety of sources that could fall through, isn't as attractive to sellers as a large corporation offering cash.

The cumulative impact of such laws, policies, and behavior, plus conditions outside of Californians' control, is that developers cannot build homes that the median-income Californian can afford – even if they were willing to sell at cost.

Finally, Californians themselves impede the availability of affordable housing. Often referred to as NIMBYs, meaning not in my backyard, these Californians – typically existing homeowners – bemoan the state's housing shortage but actively oppose new development, particularly the affordable kind, in their community. Some concerns deserve serious attention, such as whether a community's infrastructure can keep pace with an expanding population. Others are barely-concealed bigotry and selfishness. Homeowners often oppose more housing as they watch their own property values increase due to limited supply. Still other people prefer their community exactly as it is. They do not see it as their problem if the teachers, utility workers, nurses, firefighters, and myriad others who serve their community are not able to live there.

It is, however, their problem. It is one for all Californians.

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Little Hoover Commission Members

CHAIRMAN PEDRO NAVA | Santa Barbara
Appointed to the Commission by Speaker of the Assembly John Pérez in April 2013 and reappointed by Speaker of the Assembly Anthony Rendon in 2017 and again in 2021. Government relations advisor. Former State Assemblymember from 2004 to 2010, civil litigator, deputy district attorney and member of the state Coastal Commission. Elected chair of the Commission in March 2014.

VICE CHAIRMAN SEAN VARNER | Riverside
Appointed to the Commission by Governor Edmund G. Brown Jr. in April 2016 and reappointed in January 2018. Managing partner at Varner & Brandt LLP where he practices as a transactional attorney focusing on mergers and acquisitions, finance, real estate, and general counsel work. Elected vice chair of the Commission in March 2017.

DION ARONER | Berkeley
Appointed to the Commission by the Senate Rules Committee in April 2019. Partner for Aroner, Jewel, and Ellis. Former State Assemblymember from 1996 to 2002, chief of staff for Assemblymember Tom Bates, social worker for Alameda County, and the first female president of Service Employees International Union 535.

DAVID BEIER | San Francisco
Appointed to the Commission by Governor Edmund G. Brown Jr. in June 2014 and reappointed in January 2018. Managing director of Bay City Capital. Former senior officer of Genentech and Amgen, and counsel to the U.S. House of Representatives Committee on the Judiciary.

ASM. TASHA BOERNER HORVATH | Encinitas
Appointed to the Commission by Speaker of the Assembly Anthony Rendon in October 2021. Elected in November 2018 to represent the 76th Assembly District. Represents Camp Pendleton, Oceanside, Vista, Carlsbad, and Encinitas.

CYNTHIA BUIZA | Los Angeles
Appointed to the Commission by Speaker of the Assembly Anthony Rendon in October 2018. Executive director of the California Immigrant Policy Center. Former policy director for the American Civil Liberties Union, San Diego, and policy and advocacy director at the Coalition for Humane Immigrant Rights of Los Angeles.

ANTHONY CANNELLA | Ceres
Appointed to the Commission by the Senate Rules Committee in March 2022. Civil engineer and principal with Northstar Engineering Group. Former State Senator from 2010 to 2018. Previously served on the Ceres City Council and was twice elected mayor of that city.

ASM. PHILLIP CHEN | Yorba Linda
Appointed to the Commission by Speaker of the Assembly Anthony Rendon in October 2021. Elected in November 2016 to represent 55th District. Represents portions of Los Angeles, Orange and San Bernardino counties and the cities of Brea, Chino Hills, Diamond Bar, La Habra, Industry, Placentia, Rowland Heights, Walnut, West Covina and Yorba Linda.

BILL EMMERSON | Redlands
Appointed to the Commission by Governor Edmund G. Brown Jr. in December 2018. Former senior vice president of state relations and advocacy at the California Hospital Association, State Senator from 2010 to 2013, State Assemblymember from 2004 to 2010, and orthodonist.

GIL GARCETTI | LOS ANGELES
Appointed to the Commission by Governor Gavin Newsom in November 2021. Professional photographer and author of ten books. Former Los Angeles County District Attorney, teaching Fellow at Harvard University's Kennedy School, and president of the California Science Center Foundation's Board of Trustees.

SEN. DAVE MIN | Irvine
Appointed to the Commission by the Senate Rules Committee in September 2021. Elected in November 2020 to represent the 37th Senate District. Represents Anaheim Hills, Costa Mesa, Huntington Beach, Irvine, Laguna Beach, Laguna Woods, Lake Forest, Newport Beach, Orange, Tustin, and Villa Park.

SEN. JIM NIELSEN | Gerber
Appointed to the Commission by the Senate Rules Committee in March 2019. Elected in January 2013 to represent the 4th Senate District. Represents Chico, Oroville, Paradise, Red Bluff, Yuba City, and surrounding areas.

JANNA SIDLEY | Los Angeles
Appointed to the Commission by Governor Edmund G. Brown Jr. in April 2016 and reappointed in February 2020. General counsel at the Port of Los Angeles since 2013. Former deputy city attorney at the Los Angeles City Attorney's Office from 2003 to 2013.

Full biographies are available on the Commission's website at www.lhc.ca.gov.

"DEMOCRACY ITSELF IS A PROCESS OF CHANGE, AND SATISFACTION AND COMPLACENCY ARE ENEMIES OF GOOD GOVERNMENT."

By Governor Edmund G. "Pat" Brown,
addressing the inaugural meeting of the Little Hoover Commission,
April 24,1962, Sacramento, California

LITTLE HOOVER COMMISSION

Milton Marks Commission on California State Government Organization and Economy

www.lhc.ca.gov

CITY COUNCIL
Law & Regulation Committee

CC #: 1983
File #: 0103-32-02

Title:	Electric Department Priority Legislation - March 2022
Contact:	Amber Blixt 916-774-5693 aablixt@roseville.ca.us

Meeting Date: 3/23/2022
Item #: 6.2.

RECOMMENDATION TO COUNCIL

Discuss and provide input on any state or federal legislation presented to the committee.

BACKGROUND

Staff has been reviewing key energy legislation introduced in 2021 and 2022 to determine potential impacts to the Electric Department. Below is a list of key bills and related regulatory items that staff has been monitoring:

State Legislation:

AB 2061 (Ting, Reyes) Transportation Electrification: Electric Vehicle Charging Infrastructure. (Watch) – Beginning July 1, 2023, those that receive incentive funding by a state agency to own or operate a charging station will be required to report charging station "uptime" to the California Energy Commission every 12 months over a 12-month rolling basis. "Uptime" is the charging station being online and available for use, or in use, and dispensing electricity at the intended power level. Beginning January 1, 2025, the Commission will assess the uptime of public and ratepayer-funded charging station infrastructure to identify if there are differences in uptime by population density, geographical area, or population income level. If the assessment indicates an issue, the Energy Commission will consider adopting tools to increase charging station uptime, including uptime requirements or incentives. ***Staff comments: The proposal in this bill would be a new requirement for Roseville Electric, as we currently do not report on "uptime" for our chargers right now. However, it does not appear that Roseville receives any funding, as currently defined in this bill, from a state agency to own or operate charging stations. Accordingly, this bill is inapplicable to us at this time. As a practical matter, Roseville Electric does not have visibility to all the chargers that we incentivize or fund which would make reporting on the "uptime" of these units difficult if not impossible. Staff will continue to monitor this bill to ensure that the scope does not expand to apply to programs where we do participate.***

AB 2696 (E.Garcia) Electricity: Renewable Energy and Zero-Carbon Resources: State Policy: Transmission Planning. (Watch) – This bill requires the Energy Commission to conduct a study to review potential lower cost ownership and alternative financing mechanisms for new transmission facilities needed to meet the state's clean energy and climate targets, including but not limited to, public ownership, public financing and partnerships with federal agencies. Where an electrical corporation has applied for a certificate authorizing the construction of new transmission facilities, this bill requires that the California Public Utilities Commission (CPUC) find that the present or future public convenience and necessity require construction if the new facility will facilitate achievement of the state's 100% renewable energy/zero carbon goals by 2045. ***Staff comments: The City is watching this bill as new transmission to meet the state's clean energy goals is becoming a high priority in this year's legislative session. A recent report by the California Independent System Operator (CAISO) estimates an additional $30 billion in transmission investments needed to support the state's clean energy goals. While this bill supports looking at different ownership models to support transmission development, it may also result in an easier CPUC approval process of transmission projects, which could raise cost concerns for other utilities in the future. Roseville is significantly insulated from these cost increases for the time being and supports future transmission system improvements that ensure cost allocation is born by the parties that stand to benefit from those improvements. The Department will continue to monitor this legislation for any potential negative cost implications to the City.***

<u>SB 1112 (Becker) – Energy Suppliers: Notice and Recordation of a Decarbonization Charge. (Watch)</u> - This bill would establish transparency for renters and homebuyers by requiring that a utility who engages in tariffed on-bill (TOB) financing notify their county recorder of a decarbonization upgrade made in a home, and subsequent charges the occupant of the home will incur because of the upgrade. The TOB model allows customers to make upgrades in their residence through utility investment, for which cost recovery is tied to the utility meter. This tariff charge remains attached to the meter at the residence, regardless of who occupies the property, until utility cost recovery is complete. The intention of this type of investment is to enable the electric utility to offer access to capital to its customers. ***Staff comments: Currently, utilities in California do not offer tariffed on-bill financing programs to customers. However, the CPUC has begun an open proceeding, which may allow customers to have access to tariffed on-bill financing for climate beneficial appliances in the future. Accordingly, there needs to be clarity in the law regarding how to ensure proper notification to successor customers about bill charges when there is a change in home ownership or tenancy. If publicly owned utilities also begin offering this kind of financing, these notification requirements would apply. This bill could ultimately increase additional department staff resources in order to satisfy the bill's reporting requirements to notify the county recorder of a decarbonization upgrade made in a home, and subsequent charges the occupant of the home will incur because of the upgrade. However, the department generally supports these transparency measures as a way to keep customers informed about the products they are purchasing as part of the home buying and rental process.***

<u>SB 1158 (Becker) Retail Electricity Suppliers: Greenhouse Gas Emissions: Integrated Resource Plans. (Watch)</u> – This bill sets up new parameters for how utilities report their annual power sources as part of the power source disclosure (PSD) program. SB 1158 requires disclosure of purchases of electricity from specified sources based on retail load instead of the current model, which uses annual sales. It also requires the CEC to adopt by January 1, 2024 guidelines regarding the reporting and disclosure of electricity sources by hour. SB 1158 requires a POU to disclose the portion of its Resource Adequacy requirement that was met with capacity from renewable energy resources or other zero-carbon resources. SB 1158 requires retail suppliers by January 1, 2025 to report annual GHG emissions associated with all electricity. Finally, the bill requires that the Governing board of the Publicly Owned Utility (POU) review the Power Source Disclosure data to determine whether the POU is making progress in achieving the sector's greenhouse gas emission reduction targets, or whether changes are required to achieve those targets. ***Staff comments: At this point, the department is unclear why these changes to the power source disclosure program are necessary or warranted. In particular, the new hourly and resource adequacy reporting requirements are the most concerning because they have the potential to be the most burdensome from a reporting and staff time perspective. The power content label is currently used as a way to inform our customers about the power they receive; however, this proposal is moving to a more difficult and technical standard that may be more confusing than helpful for general consumption. Staff will continue to find out more about the need for this bill and report any new information to the committee.***

SB 1376 (Stern) State Energy Resources Conservation and Development Commission: Strategic Plan: Zero-Carbon Resources. (Watch) - This bill requires the California Energy Commission to adopt a strategic plan on or before November 1, 2023, to enable no less than six gigawatts per year of zero-carbon resources to be interconnected to the state's electrical grid, beginning on January 1, 2025. The bill would require the plan to identify and recommend actions required to streamline interconnection into the state's electrical grid and implement investments needed to ensure reliability and meet future growth in electrical load and generation. This strategic plan is to be included in the Integrated Energy Policy Report adopted by the Commission by November 1, 2023. ***Staff comments: The Department is concerned that SB 1376 sets up yet another planning process for utilities to follow in terms of meeting the existing clean energy goals. Utilities need time to implement the goals that are already in place before adding on additional layers of planning. Moreover, staff is concerned that this bill or the strategic plan that follows could include procurement mandates for utilities to meet in furtherance of the annual 6-gigawatt goal. As it is early in the legislative process, staff will continue to monitor the trajectory of this bill and watch for the inclusion of language, such as procurement mandates, that would be directly problematic for publicly owned utilities.***

Regulatory:

State Water Resources Control Board (SWRCB) General Order: Electric Utility Operations and Maintenance Activities Related to Wildfire Mitigation and Other Similar Activities (Watch). The SWRCB proposes to develop a General Order to facilitate a streamlined permitting process that protects the state's water resources (e.g. wetlands, stream channels, and lakes) while utilities carry out wildfire mitigation efforts as required by SB 901 (Dodd, statutes of 2018). In addition, this General Order proposes to cover electric utility infrastructure operations and maintenance activities outside of wildfire mitigation activities that have the same potential effects on water quality. Examples of activities covered include vegetation management, system hardening, site access, staging areas and laydown yards, pole/tower repairs or replacement, substation maintenance, line re-conductoring, and undergrounding power lines. Operations and maintenance activities must incorporate applicable protection measures, such as design guidelines or avoidance and minimization techniques, or other criteria into their project descriptions to meet the expected eligibility criteria in the proposed General Order. The SWRCB will be the lead agency for the California Environmental Quality Act (CEQA) process with a draft environmental impact report and general order expected in the spring of 2022 and proposed adoption in the winter of 2022/2023. ***Staff comments: This regulation is in the introductory stages of formation, but has potential implications for the utility, as it is not limited only***

to high fire threat districts and/or wildfire mitigation activities. Roseville performs vegetation management as part of our wildfire mitigation plan. This may be an area where Roseville is impacted under the General Order. Roseville staff will continue to engage and follow this process and inform the committee as the scope of this regulation becomes more fully developed.

Conclusion
Staff will continue to keep the committee apprised of these important legislative proposals and request any direction as needed.

FISCAL IMPACT

The costs of these activities are contained within the City's current budget.

ECONOMIC DEVELOPMENT / JOBS CREATED

The activities detailed in this report will not result in job development or creation.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to activities that will not result in a direct or reasonably foreseeable indirect physical change in the environment, or is otherwise not considered a project as defined by CEQA Statute §21065 and CEQA State Guidelines §15060(c)(3) and §15378.

The action of reviewing legislation meets the above criteria and is not subject to CEQA. No additional environmental review is required.

Respectfully Submitted,

Amber Blixt, Utility Government Relations Administrator

Dan Beans, Electric Utility Director

CITY COUNCIL
Law & Regulation Committee

CC #: 1984
File #: 0103-32-02

Title:	Environmental Utilities Priority Legislation - March 2022
Contact:	Noelle Mattock 916-774-5504 ncmattock@roseville.ca.us

Meeting Date: 3/23/2022
Item #: 6.3.

RECOMMENDATION TO COUNCIL

This staff report provides updates to the Law and Regulation Committee on priorities outlined in the 2022 City of Roseville Legislative Platform. This includes state and federal legislative, regulatory, and other relevant activities being tracked and acted on by the Environmental Utilities Department (EU).

BACKGROUND

AB 1857 (Garcia) Solid Waste (Reviewing)

This measure would enact the Zero Waste Transition Act of 2022, which seeks to reduce the state's reliance on transformation facilities to building infrastructure to meet the state's recycling goals and the state's 2025 organic waste reduction target.

Staff Comment: Staff is currently reviewing this measure to determine the impacts on Roseville's ability to meet state mandated diversion goals. Initial concern is placing additional cost pressures on ratepayers.

AB 2157 (Rubio, B.) Urban Water Use Objectives: Indoor Residential Water Use (Watch)

This measure currently states the intent to make changes to the residential indoor water use standards that are set in statute.

Staff Comment: In anticipation of Assemblywoman Friedman introducing legislation on this topic, the water industry was able to have Assemblywoman Blanca Rubio introduce this measure as a placeholder. Subsequently Senator Hertzberg, a co-author on the conservation legislation in 2018 introduced a bill on the indoor standard (SB 1157). At this time we believe SB 1157 (below) will be the measure that moves forward on this topic.

AB 2536 (Grayson) Development fees: Connection fees and capacity charges (Reviewing)

This measure, beginning January 1, 2023, places new requirements on local agencies imposing water and sewer connection fees or capacity charges. The measure sets forth a new requirement for a study before adoption of a fee or capacity charge. And, prescribes the information to be included in the study and the frequency to update the study. The new study is also to be approved during a public hearing of the governing body.

Staff Comment: Roseville is in the process of reviewing this measure to determine the impacts of these new requirements and whether the information and studies are appropriate to base our decisions on. At this time, our trade associations are taking a close look at this measure and seeking feedback.

SB 1010 (Skinner) Air Pollution: State fleet: Zero-emission vehicles (Watch)
This measure would establish a timeline for the state to convert their fleet to zero emission vehicles.
Staff Comment: We are watching this measure to compare the standards being developed for the state versus the current regulations being proposed for the conversion of local government fleets.

SB 1157 (Hertzberg) Urban Water Use Objectives: Indoor Residential Water Use. (Oppose Unless Amended)
This measure proposes to amend the indoor water standards in 2025 and 2030 established with the passage of AB 1668 (Friedman) in 2018. This measure would set the new 2025 standard at 47 gallons per capita daily (GPCD) and 42 GPCD beginning in 2030.
Staff Comment: Last year this bill was authored by Assemblywoman Freidman. Roseville has been working as member of a coalition in opposition. As noted in last month's Staff Report, the Department of Water Resources (DWR) has released their required study suggesting an indoor water use standard of 48 GPCD in 2025 and 42 GPCD in 2030, which mirrors the bill in print. After many coalition meetings, the water industry has decided to focus on the 2030 number and seek funding to help water agencies reach the 2025 indoor standard of 47 GPCD. Roseville has raised and continues to push the very real concern on these standards because they did not contemplate or evaluate the impacts of COVID. During COVID many workers shifted to work from placing new demands on residential indoor that we expect to continue into the future.

FISCAL IMPACT

The costs of these activities are contained within the City's current budget.

ECONOMIC DEVELOPMENT / JOBS CREATED

The activities contained in this report will not result in job development or creation.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to activities that will not result in a direct or reasonably foreseeable indirect physical change in the environment, or is otherwise not considered a project as defined by CEQA Statute §21065 and CEQA State Guidelines §15060(c)(3) and §15378. The action of reviewing legislation meets the above criteria and is not subject to CEQA. No additional environmental review is required.

Respectfully Submitted,

Noelle Mattock, Utility Government Relations Administrator

Richard D. Plecker, P.E., Environmental Utilities Director