Analysis, Commentary and Updates on Legislative and Policy Issues that Affect California Cities

PRIORITY FOCUS

LEAGUE OF CALIFORNIA CITIES

IN THIS ISSUE:

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STATE BUDGET NEGOTIATIONS GAIN SOME MOMENTUM

Almost seven weeks past the state Constitutional deadline, the budget continues to be the focus of intense discussion and much speculation in Sacramento. The League has been in constant contact with California's 479 cities in an effort to push hard for a responsible state budget that does not harm California cities by relying on "borrowing" or otherwise taking local government property tax, transportation or redevelopment funds. As of this writing, the Assembly is scheduled to take up the budget Sunday afternoon. Whether the Senate will act earlier is uncertain. *For more, see Page 2.*

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NEW FEDERAL HOUSING LEGISLATION EXPECTED TO HELP CALIFORNIA'S STRUGGLING CITIES

The recently signed Housing and Economic Recovery Act of 2008, (H.R. 3221), is expected to help California's housing market. There is $3.9 billion designated for local governments for foreclosure and abandoned home assistance. H.R. 3221 also includes provisions to create further underwriting opportunities for mortgages that are in danger of being foreclosed upon, establishment of a national Housing Trust Fund, and several other service oriented provisions that fund housing programs for specific need populations.
For more, see Page 3.

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ARB REQUESTS LOCAL PARTICIPATION IN AUG. 20 SCOPING PLAN MEETING

The California Air Resources Board (ARB) is holding a meeting with local government officials on Aug. 20 in Sacramento as part of its AB 32 mandated Climate Change Scoping Plan. Interested city officials can participate either via the Web (Webinar) or in person and are encouraged to RSVP early.
For more, see Page 4.

'Budget' Continued from Page 1…

Details of Budget Proposal Remain Sketchy

Rumors emerged mid-week about a possible budget agreement between Senate Pro Tem Don Perata (D-Oakland) and Gov. Arnold Schwarzenegger. Although the details of this agreement have not been released, some of the themes remain: a temporary sales tax increase, additional cuts, some budget reform, etc. The good news for cities is that so far the Pro Tem has repeatedly told the press that the deal does not involve any borrowing.

The League is still working to determine if this budget deal includes a $200 million on-going take from redevelopment funds. Such a proposal would have significant impact on cities and the state as a whole because redevelopment funds provide vital economic stimulus and local infrastructure investments.

With the state's commitment to meeting the goals of AB 32, the seizure of 5 percent of redevelopment funds would only cause the state to lose vital ground in reducing greenhouse gas emissions. Redevelopment agencies are the only local infrastructure and economic development tool that focuses on rebuilding urban cores and expanding infill development—the type of development that is essential to altering land use planning patterns to reduce emissions.

The California Building Industry Association (CBIA) and the Major Home Builders Council (MHBC) have been actively working the Administration and Republican legislators in opposition to a redevelopment shift. The League appreciates their focused efforts to try to prevent this terrible budget solution. The letter from the CBIA underscores the fact the state will lose $20,000 in revenue for every unit of housing not constructed, and redevelopment agencies are responsible for the construction of 10,000 affordable units each year—a potential loss to the state of $160 million to the state.

Deadlines and Other Factors

There are some upcoming key deadlines and other factors which may impact the culmination of a budget deal:

- California Secretary of State Debra Bowen set Saturday, Aug. 16 as the deadline (that often slips) for measures to qualify for the November 2008 ballot. Changes to the high speed rail bond, any Constitutional budget reform, and a possible water bond must be placed on the November ballot. While lawmakers can change statutory deadlines that apply to placing issues on the ballot, the cost of delay escalates and practical problems are created for election officials producing ballot pamphlets.

- The Democratic National Convention starts Aug. 25 in Denver, Colo. and many Democratic legislators had planned to attend. Senate Pro Tem Perata instructed his caucus to cancel their trips without a budget. Some Assembly members, however, appear to be making plans to attend.

- Aug. 31 is the Constitutional deadline for the end of the 2007-08 legislative session. The Legislature could continue in an emergency session after that deadline.

- The Governor has also vowed to veto all bills that reach his desk until a budget agreement is reached. This may become more significant as the Aug. 31, adjournment date approaches.

League Engages City Officials, City Managers and Board

This week the League held several special meetings to update members and energize participation in the budget process.

League Executive Director Chris McKenzie convened several conference calls on Tuesday, Aug. 12, with city managers statewide to alert them to some facts and myths about the budget. The concern is that the state budget could rely on mandatory "loans" of local government and transportation funds that may never be repaid and a seizure of redevelopment funds.

These calls were followed up by an emergency meeting with the League's board of directors on Wednesday, Aug. 13. Board members were given an up-to-date budget briefing and urged to make the state budget a top priority for their cities.

McKenzie impressed upon the board members how their participation in calling legislators, holding them accountable about the impact that "loans" or seizures would have on their constituents, and the ongoing impact to the state's structural deficit.

Call to Action: City Officials Make Your Voices Heard!

It is absolutely critical for city leaders make the state budget the priority for the coming weeks to ensure a successful budget outcome. City officials should take action and continue to urge legislators to draft a budget that does not seize local government revenues, transportation or redevelopment funds.

The League strongly urges city officials to engage in this budget fight. At this time, it is essential that city officials stay in close contact with their League regional public affairs managers. They are providing daily updates to their regions and the League may request participation in certain key activities in the coming days. In the meantime, city officials can take six steps to help ensure a positive budget resolution for cities. The action items are:

1. **Ask community leaders** to call legislators to oppose "loans" or raids — provide a concrete list of impacts to them;

2. **Call your legislator** and stress your city's opposition to "loans" or raids of local funds. Be specific about the impacts;

3. **Call the Governor** [(916)-445-2841] and thank him for his support and ask that he continue to oppose "loans" or raids of local government funding, transportation funding or redevelopment funds. Be specific about the impacts;

4. **Let your local news media know** what is being contemplated by state leaders and how it would hurt your city. Talk with editors about the legislature considering these fiscally irresponsible moves.

5. **Invite community leaders and citizens to a TOWN HALL MEETING** and talk publicly about what legislators may do with specific impacts to your city. Notify the news media. Thank legislators who oppose borrowing or local government raids.

6. **Schedule time on your next council meeting agenda** to discuss this issue, its impact on your city, and your continued opposition. Ask your legislators for a commitment to fiscal responsibility and not to harming local services.

Priority Focus will continue to report on all budget developments. Urgent updates will be sent directly to city officials as events occur.

'HR 3221' Continued from Page 1…

The potential for H.R. 3221 to offer California's cities some relief from the foreclosure fallout couldn't have come sooner. The latest statistics regarding the current foreclosure landscape in California are staggering. California continues to lead the nation in foreclosures. In June 2008 alone, California had 61,107 foreclosures.

The League has spent significant time analyzing the bill, and is drafting a white paper detailing the specifics of the legislation which will be distributed in the near future. Cities throughout California stand to gain from the legislation as money is appropriated in the coming months.

Several of the key topics covered by the legislation include:

Neighborhood Stabilization: Money for Local Governments

- H.R. 3221 will appropriate a one-time $3.9 billion in emergency Community Development Block Grant (CDBG) funds to assist states and local government in the redevelopment of abandoned and foreclosed homes and residential properties.
- Funding will be calculated and distributed to states and local governments with the greatest need, which will be based on:

    - Number and percentage of home foreclosures in each state or local government
    - Number and percentage of homes financed by a sub-prime mortgage related loan
    - Number and percentage of homes in default or delinquency

- This formula appears to be favorable to California since it has the highest amount of foreclosures of any state. Using foreclosures as a barometer alone, California may receive as much as $800 million of the funds, or more than 20 percent of the total.

"Hope for Homeowners" Program: More Mortgage Assistance

- The "Hope for Homeowners" program authorizes the Federal Housing Administration (FHA) to refinance up $300 billion in mortgages of at-risk borrowers living in their homes who can afford to make a reduced loan payment.

Housing Trust Fund

- Over the long term, the creation of a new Housing Trust Fund may be one of the most significant provisions of H.R. 3221;
- Full funding will not occur until 2011. However, HCD will begin a process in the upcoming year to develop a state plan for using and distributing this funding source in which cities will want to have a voice; and
- Additionally, local agencies can start planning for the use of these funds. Those local agencies that are currently updating their housing elements can include investigating how these funds can be used within their communities as a program to be completed.

Other Programs

- H.R. 3221 provides $150 million nation wide for housing counseling services;
- Homeless assistance programs will be increased by an additional $30 million; and
- H.R. 3221 contains several provisions which make changes to the low income housing tax credit program, which allows California to increase its bond cap limit and receive $1.2 billion of these funds.

'Scoping Plan Meeting' Continued from Page 1…

Background:

ARB's Office of Climate Change (OCC) staff is seeking formal comment on the draft to help inform the final Scoping Plan, scheduled to be released in October. In addition to these more formal settings, ARB wanted to give each sector the opportunity to meet informally with OCC staff to discuss the next steps in the process and to hear from local governments directly.

Specifically, ARB is offering local governments an opportunity to discuss the interface between a cap-and-trade program and other efforts to reduce greenhouse gas emissions. The goal is that this process will lay a solid foundation for future work. OCC Scoping Plan liaisons and other agency staff will attend the meeting.

Meeting Details

California Environmental Protection Agency Building, Room 230
**check in at front desk for room confirmation*
Sacramento, CA
Wednesday, Aug. 20, 1:30-4:30 p.m.

Webinar Instructions

To participate by web conference, log on to www.readytalk.com, enter 4458251(the seven digit access code number) and click to join the conference. Participants will be taken to a registration page before being placed in the conference.

After submitting you will be placed into the conference. To participate by audio only call 1-866-740-1260 and enter the seven digit access code number of 4458251.

RSVP

Please RSVP to both ARB Air Pollution Specialist Barbara Bamberger (bbamberg@arb.ca.gov or (916) 324-2303) and League Legislative Representative Kyra Ross (kross@cacities.org).

Summit for Municipal Leaders on Climate Change Scheduled for Sept. 4

League President and San Diego City Council President Pro Tem Jim Madaffer invites elected officials and city staff to the Summit for Municipal Leaders on Climate Change Mitigation and Adaptation. Scheduled 8:30 a.m. to 5 p.m. on Sept. 4 in San Diego, this interactive forum will focus on the scope and intent of AB 32 within the broader context of climate change mitigation and adaptation.

The local government perspective will be presented on land use planning and CEQA, landfill management and recycling, energy production, water and wastewater utilities, and transportation. Breakout sessions on each topic and an executive session for elected officials will be held in the afternoon.

Summit participants will be given a summary of the municipal responses to the California Air Resources Board's (ARB) AB 32 Scoping Plan, along with the major findings from the San Diego Regional 2050 Study. The objective is to provide a resource document that can help guide municipal leaders with operational, financial and programmatic issues as AB 32 is implemented over the next few years.

The summit is co-sponsored by the City of San Diego, the League of California Cities, San Diego Gas and Electric and the San Diego Foundation.

Location
Caltrans District 11 Administrative Office
4050 Taylor Street
San Diego, CA 92119

Please contact Linda Giannelli Pratt with the City of San Diego for additional information. She can be reached by e-mail Lpratt@sandiego.gov or phone (858) 492-5088.

Legislation Improving Water Quality Goes to the Governor

Both the Assembly and Senate passed AB 2270 (Laird & Feuer), a bill that would benefit city water quality through the local regulation of the use of water softeners. Now moving to Gov. Arnold Schwarzenegger's desk for signature, the bill had bipartisan support throughout the legislative process.

Cities across California have increasingly had to deal with rising salinity levels in municipal wastewater. Increasing levels of salt in treated water can reduce and even preclude the use of recycled water. This is a serious issue in years like this one when the state faces such a critical water shortage. Residential water softeners are one of the major contributors to this problem.

Under AB 2270, cities and water agencies would be able to restrict usage of specific types of water softeners only if the Regional Water Quality Control Boards made a finding that control of residential salinity will contribute to the achievement of water quality objectives in the region.

Take Action

The League supports this legislation because it would improve municipal water quality statewide. The League asks city officials to send the Governor a letter to request his signature on this bill. A sample letter can be found on the League's Web site at www.cacities.org/billsearch. Plug in AB 2270 to find the letter.

FACT Act Compliance Required by November

Final rules have been set out by the Fair and Accurate Credit Transactions (FACT) Act of 2003 which requires compliance by November 1, 2008. The FACT Act added new provisions to the Federal Credit Reporting Act to protect consumers against identity theft. New regulations published November 1, 2007 require financial institutions and creditors to develop and implement written identity theft prevention programs.

It is important that city officials understand that they may be considered a "creditor" as it is defined in the act, according to the Federal Trade Commission. A city could be considered a creditor if they provide for deferred payments on goods or services. "Deferring payments" refers to postponing payments to a future date and/or installment payments on fines or costs. Likely examples for cities may include providing public utility services or providing a payment plan for parking tickets.

To comply with the new FACT Act regulations, known as the Red Flag Rules, entities will be required to provide for the identification, detection, and response to patterns, practices, or specific activities ("red flags") that could indicate identity theft in their identity theft prevention programs.

The League is working to determine more clearly how the FACT Act could affect cities and will provide an update in the near future. Please contact League Legislative Analyst Natasha Karl with questions at (916) 658-8254 or nkarl@cacities.org.

Paid Sick Leave Bill Conceivably Dead

AB 2716 (Ma), the paid sick leave legislation the League has been tracking for months, failed to move forward last week when it was not taken off the Senate Appropriations suspense file. This bill and issue may be dead for the remainder of the 2008 legislative session.

Assembly Member Ma's bill would have required every employer in California to provide one hour of paid sick leave for every 30 hours worked to any employee who worked seven or more calendar days in a year. Private sector employers labeled this bill as a "job killer and cost driver." It also would have proved to be an administrative nightmare to overlay the legislation's requirements on top of existing local government sick leave policies. This is particularly true as it applies to part-time and seasonal employees in public sector employment.

Although AB 2716 is dead for this legislative session, it's not going away permanently. Assembly Member Ma says she remains deeply committed to the issue. Almost three years ago, Measure F, a measure nearly identical to AB 2716, was passed in San Francisco, the district the Assembly Member represents. She has promised to bring the bill back in the next legislative session, which is not surprising given her dedication to the issue. City officials should expect a new version of AB 2716 in 2009.

Proposal for Second Prop. 1B Allocation Moves Forward

The League's proposal to include a Proposition 1B Local Streets and Roads allocation in the FY 2008-09 state budget is moving forward as Gov. Arnold Schwarzenegger's office and legislative leadership are currently reviewing the language.

The proposal, developed in collaboration with the Department of Finance (DOF), would allow cities who already received their FY 2007-08, to receive funding on a first come, first serve basis. The language was developed to ensure cities could program or spend the second allocation of funds within the next fiscal year to drive economic growth through infrastructure improvements.

As of Aug. 8, 439 of California's 478 cities have received their FY 2007-08 Prop. 1B funds, according to the DOF. Funds are released by DOF in the middle of each month. A city-by-city list has been posted on the League's Web site at www.cacities.org/infrastructure.

To date, $422 million of the $550 million of Prop. 1B Local Street and Road funds for FY 2007-08 have been allocated.

DOF sent all California cities a letter in January with Prop. 1B application instructions and a list detailing each city's proportional share of the funds. These materials, along with the Prop. 1B Implementation Guidelines are posted on the infrastructure page of the League's Web site at www.cacities.org/infrastructure.

Sustainable Cities Feature: San Leandro Secures Prop. 1C Grant for TOD

Improving urban living with access to amenities and transit is a strategy many communities are employing with an eye to meeting the goals set out in AB 32, California's pre-eminent global warming legislation. San Leandro, an East Bay city of about 80,000 residents located between Oakland and Hayward, was recently awarded $24.4 million in Proposition 1C funding for infill infrastructure and Transit Oriented Development (TOD).

Although many communities have already focused on creating more TOD—livable, walkable communities with close access to mass transit, these Prop. 1C funds will enable San Leandro to create its first such project. Prop. 1C, the Housing and Emergency Shelter Trust Fund Act, passed by voters in 2006, included $850 million for infill infrastructure and $300 million for TOD. So far, $400 million of the infill infrastructure funds have been appropriated and $145 million of the TOD funding has been appropriated.

The city applied for the Prop. 1C funding after securing a $450,000 Metropolitan Transportation Commission (MTC) planning grant two years ago to create a TOD strategy for downtown San Leandro. Member Michael Gregory credits San Leandro's success with the Prop. 1C funds as a direct result of the incredible community input in the planning process. With the MTC grant, the city brought together city staff, planners, transportation experts, engineers and a large citizen advisory committee to focus on San Leandro's need for more infill development and housing near transit.

This Bay Area suburb sits in the middle of a major transit corridor along Interstates 580 and 880 with BART and Amtrak stations. The city has a downtown Bay Area Rapid Transit (BART) station which includes a large parking structure and an adjacent abandoned lot. With the Prop. 1C funds, the city will create about 300 units of housing (200 market rate and 100 affordable) where the current parking lot sits and build a new parking structure for commuters on the abandoned lot location. The new housing will be built to the U.S. Building Council's Leadership in Energy and Environmental Design (LEED) standards.

Council Member Gregory is proud of the project because San Leandro will develop the abandoned site of a former cannery and create a smart growth community that will give residents a high quality of life without having to get in their cars.

San Leandro's Prop. 1C grant will be broken down as follows:

- $9.8 million to build the BART garage;
- $6.1 million for streets, sidewalks, landscaping and lighting;
- $3.4 million for parks;
- $3 million for the city's nonprofit housing partner;
- $1.5 million for utility improvement; and
- $.6 million.

Find a Bill, Legislators, Leg Committee, or Ask League Leg Staff

Visit (and bookmark!) the League's Legislative Resources Web page (www.cacities.org/legresources). You'll find a roster and contact information for the League's legislative staff; the online Bill Search program, background materials on lobbying your legislators, and more.
