



July 11, 2017

The Honorable Edmund G. Brown  
Governor of California

The Honorable Kevin De León  
President pro Tempore of the Senate  
and members of the Senate

The Honorable Patricia Bates  
Senate Republican Leader

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

The Honorable Chad Mayes  
Assembly Republican Leader

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*Stanford University*

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*Chancellor's Office*

**Laura Tyson**

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## Re: Updated assessment of Legislature's progress toward the "One Million Homes Challenge"

Dear Governor Brown, Legislative leaders, and members of the Legislature:

The Administration and Legislature have made commendable progress on a number of important issues this year, demonstrating their ability to focus on complex policy challenges, develop meaningful compromise, and make tough votes to improve the lives of their constituents. But at a time when nearly half of Californians are struggling to rent or buy a home in their communities—and millions more are unable to live anywhere close to their jobs because of rising costs—we are disappointed that our state leaders have not yet given housing the attention it desperately needs. With only a few months remaining in the legislative session, we are concerned the solutions being discussed in the Legislature are not yet sufficient to address the dramatic undersupply of housing—of all kinds—that is at the root of this problem.

As leaders of the California Economic Summit and its founding organizations, California Forward and the California Stewardship Network, we shared a letter in April emphasizing the need, in this session, for comprehensive, aggressive action to address California's expanding housing affordability crisis—accelerating development and bringing down the cost of housing. At the time, there were signs of potential: The Administration had just outlined a set of principles for state housing policy with similar goals, and the Legislature had introduced more than 100 housing bills.

Several months later, though, the housing debate has not significantly progressed. The state budget was passed in June without any new funding for housing—reflecting a continuing lack of agreement between the Administration and Legislature on how to respond to a vital issue for our economy, for our environment, and for millions of Californians struggling to make ends meet in a state with the highest living costs in the nation. Nearly 50 housing bills continue to move through the Legislature, but no comprehensive package has emerged—or even been publicly discussed—that will make the full range of policy changes necessary to move the needle on housing.

We urge the Administration and Legislature to use the remaining two months of the session to pass and sign into law a set of solutions that will match the scale of the state’s housing crisis—an issue as important to the state’s prosperity, and as much a part of Californians’ lives, as health care or immigration or transportation.

As state leaders, you have demonstrated your ability to respond decisively and effectively to some of the most pressing issues facing California. You have spoken eloquently about the need to slow skyrocketing housing costs, support the growing numbers of people now living on the streets, and protect millions of Californians from being pushed into poverty because of rising rents and home prices.

Now it is time to act.

To meet demand and bring down the cost of housing, the state needs to produce at least one million more homes—of all types—over the next decade than it is currently producing. The Summit calls this the One Million Homes Challenge. As we noted in our April letter, the Summit spent much of the last year working with stakeholders to highlight all of the major elements of state policy that will need to change to increase housing supplies on this scale—including subsidized housing for those who can’t afford to rent or buy a home and a new generation of market-rate housing near jobs and transit, affordable to every income level.

This “all of the above” strategy, the One Million Homes Framework, includes a set of “carrots” and “sticks” that can encourage a new era of collaboration between the state and local governments. The Framework includes three distinct fiscal, program, and regulatory incentives the state can use to help more local leaders say “yes” to housing of every kind—from rentals and accessory dwelling units affordable to low-income families and workers to a wave of new single-family homes, townhomes, condos, mid-rises and high-rises. The Framework also emphasizes the need to strengthen state laws to hold accountable jurisdictions that won’t approve their fair share of development.

Using the Framework as a lens, the Summit has come to the following conclusions about the ideas currently moving through the Legislature:

- Substantial progress is being made on the “sticks”—that is, proposals to hold local governments accountable for producing more housing, including new state rules around local planning, e.g. AB 1397 (Low), SB 166 (Skinner), and AB 1521 (Bloom), and several efforts to strengthen the Housing Accountability Act, e.g. AB 678 (Bocanegra), SB 167 (Skinner), AB 72 (Chiu, Santiago), and AB 1515 (Daly).
- But there is not nearly enough progress on the “carrots” side: While the Senate has now taken action on one important proposal, none of the major bills to provide a permanent source of funding for affordable housing, e.g. SB 2 (Atkins) and AB 71 (Chiu), raise revenue sufficient to address the scale of the crisis. The few proposals that offer production incentives, e.g. AB 56 (Holden) and AB 1568 (Bloom), don’t have money behind them. New investments in housing programs, e.g. AB 45 (Thurmond) and AB 74 (Chiu, Santiago, Bonta), lack Administration

support and were not included in this year's budget. This year's streamlining efforts, e.g. SB 35 (Wiener), AB 1598 (Mullin), and SB 540 (Roth), are mostly voluntary, likely to add to the cost of housing, and workable in too few communities.

- Several serious and legitimate proposals for increasing housing supplies have also failed to advance out of committee or their house of origin—including ideas such as AB 30 (Caballero) to accelerate the CEQA process for housing projects on vacant strip mall sites, proposals like AB 1350 (Friedman) to increase monetary penalties for cities that fail to meet production targets, and approaches such as AB 53 (Steinorth) for ensuring homeownership remains a part of the state's housing solution.

In short, the Administration's and Legislature's efforts are insufficient, thus far, to meet the One Million Homes Challenge.

On the following pages, the Summit offers more detailed analysis of how this can change—highlighting all of the major bills in alignment with the Summit framework and identifying ways these proposals could be broadened to maximize their impact on the One Million Homes Challenge.

To be effective, any final housing package must include a permanent source of funding for affordable housing (and ideally additional incentive funding to support local infrastructure associated with both affordable and market-rate housing, as well). It needs to provide real fiscal incentives for communities to approve more housing of all types. And it must contain the cost of development enough to allow more builders to build, accelerating production and bringing the down the price of housing.

There is still time to do this right—and to make an impact on a crisis that touches almost every household in California, from the millions of families being pushed into poverty by high housing costs to the millions more middle-income workers commuting for hours to jobs in cities they can't afford.

We encourage the Administration and Legislature to act quickly and decisively to develop a housing package that will support communities working to solve this problem—and dramatically expand all types of housing accessible to Californians.

This continues to be the focus of the Summit. We hope you will join us, and we look forward to working with you to achieve the One Million Homes Challenge.

Sincerely,



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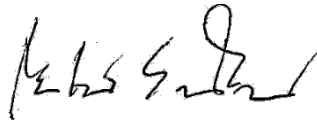
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APPENDIX: On the follow pages, the Summit has highlighted all of the major bills that advance policy elements identified in the 1M Homes Framework--and offered ideas for expanding these proposals to maximize their impact on the 1M Homes Challenge. The Summit can provide comments on specific bills upon request.

CA Economic Summit 1M Homes Framework elements: Major bills advancing ideas	In each category, what's missing that could maximize impact on the 1M Homes Challenge?
<b>IDENTIFY FUNDING - To fund incentives outlined in framework, a combination of new &amp; existing revenue is needed</b>	
<b>SB 2 (Atkins):</b> Raise \$200m-\$300m through fee on real estate documents	-- <b>Significant funding to support production of housing</b> affordable to low- and moderate-income households and fiscal incentives for all types of housing (limited by local median prices where appropriate)
<b>SB 3 (Beall):</b> Raise \$3 billion through issuance of GO bond	
<b>AB 71 (Chiu):</b> Raise \$300m by eliminating mortgage interest deduction on 2nd homes	
<b>1. PRODUCTION INCENTIVES - A portion of new revenue should be tapped as a fiscal incentive for local agencies that approve new housing</b>	
<u>For housing related infrastructure:</u>	-- <b>Significant state funding supporting housing-related infrastructure.</b>  -- <b>Fiscal incentive system that connects funds to jurisdictions actually increasing housing production</b> (through RHNA or other metric) (NOTE: Several streamlining bills, including SB 35, do have provisions along these lines. They seek to provide regulatory relief as an incentive, however, not new revenue.)
<b>AB 56 (Holden):</b> Expand I-bank ability to finance housing-related infrastructure	
<b>AB 1568 (Bloom):</b> Authorize EIFDs/CRIAs to capture sales tax increment to support infrastructure projects	
<b>ACA 4 (Aguiar-Curry):</b> Revise Prop 13 to allow local govts to levy property tax above 1% limit to service bond indebtedness for housing-related infrastructure. Lower vote requirements to 55% for housing-related special taxes, GO bonds	
<u>For achieving RHNA goals:</u>	
<b>AB 829 (Chiu):</b> Require cities and counties to provide in their annual report on their general plan an additional analysis of the relationship between jobs and housing	
<b>AB 1086 (Daly):</b> Require HCD to report to the Legislature by 2018 on whether existing RHNA methodologies are sufficient to capture total housing needs, particularly in coastal regions.	
<b>2. PROGRAM INVESTMENT - The state should fund successful state and local programs that promote affordability and increase supply, especially for low-income households</b>	
<u>Requiring appropriation (but not funded by 2017-18 state budget):</u>	-- <b>New funding in the budget</b> for successful housing programs  -- <b>Agreement between the Legislature and Administration on where to devote scarce resources</b> , which programs will have the most impact on improving Californians' lives
<b>AB 45 (Thurmond):</b> Upon \$25M appropriation, requires the California Housing Finance Agency to administer a program to provide financing assistance to a qualified school district and to a qualified developer for the creation of affordable rental housing for school employees, including teachers.	
<b>AB 74 (Chiu, Santiago, Bonta):</b> Upon unspecified appropriation, requires HCD to create a new "Housing for a Healthy California Program" for housing homeless, Medi-Cal recipients, SSI recipients	
<b>AB 1406 (Gloria):</b> Upon appropriation, establishes grant program to support programs that provided housing assistance to homeless youth	
<u>Program changes not requiring appropriation:</u>	
<b>AB 236 (Maienschein, Santiago):</b> Adjusts state rules for providing state homeless assistance for families seeking temporary shelter	
<b>AB 346 (Daly):</b> Authorizes redevelopment agency successor to use funds remaining on homelessness services, transitional housing, or emergency housing	
<b>AB 571 (Eduardo Garcia):</b> Expands definition of farmworker housing (to any housing where at least 50% of residents are farmworkeres).	
<b>AB 727 (Nazarian):</b> Clarifies that counties can spend Prop 63 funds on housing assistance	
<b>AB 863 (Cervantes):</b> Requires Strategic Growth Council as it directs cap & trade funds to the AHSC program to seek methods for inclusion of local entrepreneurs in the implementation of land use/housing projects and workforce training and certification of workers hired to work on the projects	
<b>SB 240 (Dodd):</b> Increases benefit assessment amount the Napa board of supervisors may assess on vineyards to support farmworker housing	
<b>SB 612 (Mitchell):</b> Modifies state rules around transitional housing for foster youth	

<p align="center"><b>CA Economic Summit 1M Homes Framework elements: Major bills advancing ideas</b></p>	<p align="center"><b>In each category, what's missing that could maximize impact on the 1M Homes Challenge?</b></p>
<p><b>3. REGULATORY STREAMLINING - The state should offer incentives to jurisdictions that change local regulations to reduce costs and accelerate all types of development</b></p>	
<p><b>SB 35 (Wiener):</b> Provide streamlined approval process to multi-family housing developments meeting certain criteria (infill location, pay prevailing wage, hire "skilled and trained workers", in areas that have not met RHNA targets, etc.)</p>	<p>-- <b>Incentives to ensure new streamlining processes are widely used</b>--and aren't limited to a relatively small number of willing jurisdictions who volunteer to participate</p>
<p><b>SB 540 (Roth):</b> Allow local governments to establish Workforce Housing Opportunity Zones, where they can conduct one environmental review and adopt a single specific plan for the area. For five years, no compliant development could be denied. Local governments could also impose a specific plan fee within the area. To support planning efforts, local govts would be authorized to apply for no-interest loan from HCD (upon appropriation by the Legislature).</p>	<p>-- <b>Cost containment efforts to ensure a net reduction in the cost of homebuilding</b>, especially in cases where projects, to qualify for streamlining, must be built in expensive infill areas with substantial numbers of below-market units, while paying prevailing wage and hiring only workers from certified apprenticeship programs</p>
<p><b>AB 73 (Chiu, Caballero, Bonta, Kalra):</b> Authorizes cities and counties to establish new housing sustainability districts that qualify for streamlined environmental review and receive zoning incentive payments for producing high-density housing near transit.</p>	<p>-- <b>Broader definition of sites eligible for streamlining</b> to ensure accelerated approvals are not only accessible to infill projects in narrowly-defined urban settings--but can also be used by cities with populations under 100,000 (including potential future housing "hotspots" along rail corridors such as Vacaville and Merced, for example)</p>
<p><b>AB 1598 (Mullin):</b> Authorize local govts to create an affordable housing authority with power limited to providing low- and moderate-income housing funded through a low- and moderate-income housing fund</p>	
<p><b>AB 932 (Ting):</b> Upon declaration of a shelter crisis in the City and County of San Francisco, this bill would authorize temporary suspension of certain state and local laws, regulations, and ordinances to increase housing access for the homeless</p>	<p>-- <b>Clarity on whether new approval processes will be subject to CEQA delays</b>, given the likelihood that projects taking advantage of streamlining are likely to face lawsuits and judicial review</p>
<p><b>4. LOCAL PLANNING - The state should strengthen existing planning and regulatory statutes to ensure local governments can build adequate housing of all types</b></p>	
<p><b>AB 1397 (Low):</b> Revise planning &amp; zoning law to require local agencies to prepare inventory of land suitable for residential development to include vacant sites and sites that have realistic and demonstrated potential for redevelopment to meet a portion of the locality's housing need for a designated income level. Bill would require adequate water, sewer, utility supply be available on these parcels. Bill would require per-unit estimates of housing based on income levels that could go on these sites.</p>	
<p><b>SB 166 (Skinner):</b> Restrict the ability of cities and counties to reduce density on projects, requiring local governments to maintain a housing element that is always sufficient to meet its RHNA allocation</p>	
<p><b>AB 879 (Grayson):</b> Allow local govts to identify "nongovernmental constraints" in local housing elements, in order to highlight requests to develop housing at lower densities and require local govts to demonstrate how they are seeking to overcome gaps between housing approvals and actual construction</p>	
<p><b>AB 1423 (Chiu):</b> Include charter cities in an existing reporting rule that requires city/county planning agencies to provide annual reports assessing implementation of the general plan and progress toward meeting its share of regional housing needs.</p>	<p>-- <b>Clarification, strengthening of existing definitions of by-right development and density bonuses</b> for affordable housing projects</p>
<p><b>AB 1505 (Bloom, Chiu, Kalra) and SB 277 (Bradford):</b> The "Palmer Fix," codifies the ability of local governments to adopt inclusionary housing ordinances requiring residential developers to set aside a certain percentage of their units for affordable housing.</p>	<p>-- <b>Review of existing CEQA infill exemptions</b> to ensure implementation and accelerate production of infill housing</p>
<p><b>AB 1521 (Bloom):</b> Changes rules for changes of ownership in assisted housing projects</p>	
<p><b>AB 352 (Santiago):</b> Prohibit local govts from establishing higher square-footage requirements for efficiency units than those outlined in International Building Code and from limiting number of units near public transit and university campuses.</p>	
<p><b>AB 1157 (Mullin):</b> Specifies that construction, reconstruction, or renovation of rental housing facilities for school district employees is a permissible capital outlay expenditure. Bill also exempts this housing from property taxes.</p>	
<p><b>AB 915 (Ting):</b> Requires cities, counties with inclusionary housing ordinance to apply the ordinance to the total number of housing units in a development, included any additional units granted (through density bonuses, for example)</p>	

CA Economic Summit 1M Homes Framework elements: Major bills advancing ideas	In each category, what's missing that could maximize impact on the 1M Homes Challenge?
<b>5. ENFORCEMENT/ACCOUNTABILITY - The state should improve approval and permitting rules and hold accountable jurisdictions that fail to build adequate housing of all types</b>	
<b>AB 72 (Chiu, Santiago):</b> Requires HCD to review any action or failure by a city, county that it determines is inconsistent with an adopted housing element. Authorizes HCD to revoke findings until local govt comes into compliance with its housing element. Appropriates an unstated amount of General Fund revenue to fund increased enforcement of state housing laws by the Attorney General	-- <b>Progress in other areas (especially incentives)</b> to ensure the state housing package is not entirely dependent on new accountability measures and increased enforcement
<b>AB 678 (Bocanegra):</b> Strengthens the Housing Accountability Act in various ways, including prohibition on local actions that make projects "infeasible"	
<b>SB 167 (Skinner):</b> Strengthens the Housing Accountability Act in various ways, including prohibition on local actions that make projects "infeasible"	
<b>AB 1515 (Daly):</b> Changes standard under the Housing Accountability Act for local agencies to deny projects. Existing law allows local agencies to deny projects that are "inconsistent" with zoning ordinance/gen plan. New standard would require "sufficient evidence that would lead a reasonable person to conclude that the housing development project or emergency shelter is consistent."	
<b>AB 686 (Santiago):</b> Seeks to change state Fair Housing rules to require agencies to "affirmatively further" fair housing-defined as taking "meaningful actions" to overcome segregation patterns, promote fair choices, foster inclusive communities, and transform areas of poverty into areas of opportunity. Jurisdictions that fail to do so will be considered in violation of the California Fair Employment and Housing Act.	