

## CASA- The Committee to House the Bay Area

CASA was convened in mid-2017 by the Metropolitan Transportation Committee (MTC) and the Association of Bay Area Governments (ABAG) to address the region's housing crisis directly. CASA was comprised of major employers, for-profit and non-profit housing developers, labor and environmental groups, public policy and affordable housing advocates, transportation experts, charitable foundations and elected officials. There was an 18-member Steering Committee that was advised by a 32-member technical committee.

In January of 2019, the CASA Steering Committee approved 10-point set of policy recommendations. This is known as the CASA Compact. It is designed to increase housing production at all levels of affordability, preserve existing affordable housing and protect vulnerable populations from housing instability and displacement.

The massive demand for housing is propelled by the Bay Area's historical and forecasted job growth. An estimated 2.4 million more people and 1.3 million additional jobs will be added to the Bay Area by 2040. Yet only a fraction, less than 30% in 2017, of needed housing is being produced each year. Roadblocks to more housing include escalating development costs, loss of funding (such as redevelopment), restrictive land use policies, labor shortages, and limited political consensus as to the best policies to ease the growing crisis.

The CASA Compact has been praised by some as a successful compromise between competing interest groups, however, many city officials in the region have felt excluded and believe some of the solutions offered are unworkable. There is also a concern about whether a "one size fits all" policy is appropriate.

The concerns raised also included the following:

- \* Minimal outreach to local government
- \* Preemption of local control
- \* Potential impact to local development fees
- \* Added fiscal pressure due to streamlining requirements and tax relief
- \* Return to source
- \* Establishment of another regional agency

Solano County and its cities are very different from the issues in the core of the Bay Area. Solano County's housing is substantially more affordable than the rest of the Bay Area. Solano County is the only Bay Area county where housing prices are still below pre-recession prices. However, housing demand is increasing, fueled by job growth and lack of housing in the core Bay Area. In 2015, 119,850 residents commuted daily to jobs outside Solano County. The 2016 Economic and Community Progress report found that 64.1% of the County's working residents work for an employer outside of Solano County and 41% of Solano County residents are renters. It is estimated that between Fairfield and Vacaville alone, over 11,000 housing units are fully entitled and ready to build upon.

Therefore, the CASA recommendations need to be viewed from both a regional and local perspective. The key issues that are a concern with the CASA Compact are as follows:

- \* Solutions must be developed that address the different market realities throughout the Bay Area.**
- \* In Solano County, funding is a key to increased housing production.**
- \* A new regional agency is not needed.**

**\* Return to source has to be in the 90% to 95% level.**

These issues and several others are addressed in more detail starting on Page 5 of this summary.

The ten policy recommendations, and introduced legislation to implement the policies, are as follows:

**1) Just Cause Eviction:** Ensure that all Bay Area tenants are protected from arbitrary evictions by adopting a region-wide policy requiring landlords to cite specific "just causes" (both fault and non-fault) for termination of tenancy, such as failure to pay rent or violation of lease terms. Require landlords to provide relocation assistance for covered no-fault evictions. This should not preempt more restrictive local ordinances.

**Proposed Legislation: AB 1481 (Bonita)**

**2) Rent Cap:** Establish a Bay-Area wide rent cap that limits annual increases in rent to a reasonable amount. Under this policy, for an emergency period (15 years), no landlord should increase rent by more than CPI, plus 5%, in any year of tenancy. The notice of rent increase should be provided annually. The cap on the rent increase should apply to the renter, not the unit. Certain types of units should be exempt from the cap (affordable housing governed by regulatory agreements, accessory dwelling units on owner occupied properties and dormitories). This should not preempt more restrictive local ordinances.

**Proposed Legislation: AB 36 (Bloom)**

**3) Rent Assistance and Access to Legal Counsel:** For low-income tenants facing eviction, provide access to free legal counsel and emergency rent assistance. Under this policy, all tenants who are facing with legal proceedings to evict them from their residence should have access to legal counsel, with limited exceptions. Low-income tenants facing eviction and homelessness due to non-payment of rent should be eligible to receive emergency rent assistance. The total amount of the rental assistance should be capped at \$5,000 to \$10,000 per tenancy. The Regional Housing Enterprise (see CASA Compact #10) should establish guidelines and policies for administering the program, including how to determine eligibility. The regional agency should identify, fund and oversee local service providers to carry out the program. The funding should come through CASA Compact #9.

**Proposed Legislation: SB 18 (Skinner) & AB 68 (Ting)**

**4) Remove Regulatory Barriers to ADU's:** Extend current Bay Area best practices regarding Accessory Dwelling Units (ADUs) to every jurisdiction in the region. Amend existing State law to remove regulatory barriers including ministerial approval for ADUs and Junior ADUs in residential zones, allowance for multiple ADUs in multi-family homes and creation of a small homes building code.

**Proposed Legislation: AB 69 (Ting) & SB 13 (Wieckowski)**

**5) Minimum Zoning Near Transit:** This policy contains three components. In neighborhoods served by high quality bus service, establish minimum zoning on all residential, commercial and institutional zones to allow "missing middle" housing types up to 36 feet tall. In neighborhoods surrounding the region's major transit stops (rail stations and ferry terminals), establish minimum zoning to allow midrise residential housing up to 55 feet tall (75 feet with a density bonus). Allow sensitive communities to defer rezoning above 36 feet while they develop context-sensitive plans. On large commercial-zoned parcels located near job centers, make housing an allowable use. For projects with 20 units or more, require inclusion of affordable units.

**Proposed Legislation: SB 4 (McGuire and Beal) & SB 50 (Wiener)**

**6) Good Government Reforms to Housing Approval Process:** Establish "good government" standards for the entitlement and permitting of zoning-compliant residential projects. Require transparency and consistency in how residential impact fees are set and enforced. This policy should include a) Standards for processing zoning-compliance residential applications with fewer than 500 units; b) Standards for impact fees; c) Standards for inclusionary zoning; d) Standards for downsizing and moratoria; and e) Jurisdictions should report annually all local agency impositions that increase the hard cost (excluding labor and materials) of construction, including fees and inclusionary zoning requirements.

**Proposed Legislation: AB 1483 (Grayson) & AB 1484 (Grayson) & SB 330 (Skinner)**

**7) Expedited Approvals and Financial Incentives for Select Housing:** Ensure timely approval of zoning-compliant housing projects and create financial incentives for enabling on-site affordability and prevailing wages. This streamlining policy will provide another option for projects that may not benefit from SB 35. This policy does not amend or replace SB 35. The policy will defer implementation while they develop a context-sensitive plan. This policy is intended to build more housing projects while addressing the critical shortage of housing labor and providing on-site affordability for missing-middle income ranges that are not eligible for other sources of subsidy. The policy provides for the use of financial incentives to off-set costs. Financial incentives could include 15 years of property tax abatement, a cap on fees that allow project feasibility, density bonus of 35%, parking reductions to 50% of local requirement (at the discretion of the developer) and relief from strict liability standards for ownership housing.

**Proposed Legislation: SB 6 (Beall) & AB 1485 (Wicks)**

**8) Unlock Public Land for Affordable Housing:** Promote increased utilization of public land (surplus and underutilized) for affordable housing through a variety of legislative and regulatory changes, as well as the creation of new regional coordination and planning functions. This policy would support reforms regarding compliance with the State surplus lands law, creation of a clear definition of "surplus" and "underutilized", a requirement for local jurisdictions to create a full inventory of their publically-owned sites and report them to the State, and direct HCD to develop a statewide public lands database that will include all publically-owned sites in the State, starting with a pilot in the Bay Area. State Housing Element should be amended to address a number of ways regarding public lands for affordable housing. Regulatory and process changes should be enacted to a) Require State agencies to comply with State Surplus Land Act; b) Amend the State law time frames for surplus land disposition to expedite the process to no more than 24 months; c) Competitive funding programs for affordable housing should reward additional points to projects that propose affordable development on public lands; and d) State of California should review guidelines for public facilities (i.e. schools) to evaluate potential for changes that could open up land for housing. Public lands used for housing should include policies that help expand the trained labor pool available for housing construction including requirements for trained apprentices and prevailing wages.

**Proposed Legislation: AB 1486 (Ting)**

**9) Funding and Financing the CASA Compact:** Raise \$1.5 billion annually (out of an estimated \$2.5 billion per year to implement the CASA Compact) from a broad range of sources to fund the implementation of the CASA Compact. While not all revenue ideas outlined in the CASA Compact will be implemented, no one sector (property owners, developers, employers, local government and taxpayers) would bear the burden on its own.

No more than one revenue idea should be implemented under each of the sectors. The CASA Compact identified a menu of options, they include:

- \* Vacant home tax levied on property owners;
- \* Parcel tax levied on property owners (residential and commercial);
- \* Commercial linkage fee charged to developers;
- \* Gross receipt tax levied on employers;
- \* Head tax levied on employers;
- \* Revenue set-aside for redevelopment agencies (local governments);
- \* Revenue sharing contribution into a region-wide housing program for local governments;
- \* 1/4-cent sales tax; and
- \* General obligation bonds, reissued every five years.

These revenues would be allocated by the following percentages:

- \* Up to 10% for local jurisdiction incentives (including funding for hiring more building inspectors);
- \* Up to 10% for tenant protection services;
- \* Up to 20% for preservation; and
- \* A minimum of 60% for subsidized housing production.

New revenues would be distributed based upon 75% to the county of origin (return to source) and 25% to a regional program (revenue sharing). Public funding through CASA shall require a requirement for trained apprentices and prevailing wages. Revenue collection and disbursements would be managed by the Regional Housing Enterprise (see CASA Compact #10).

**Proposed Legislation: AB 11 (Chiu) & ACA 1 (Aguiar-Curry) & SB 5 (Beall) & AB1487 (Chiu)**

**10) Regional Housing Enterprise:** Establish a regional leadership entity to implement the CASA Compact, track and report progress, and provide incentives and technical assistance. The entity must be governed by an independent board with representation from key stakeholder groups that helped develop the CASA Compact. The Regional Housing Enterprise (RHE) would not have a regulatory or enforcement role. Neither MTC or ABAG, according to the CASA Compact, have the mandate or resources/tools to undertake the vision to tackle the region's displacement and affordable housing crisis. State law will be required to establish a RHE to coordinate and lead implementation of the CASA Compact, and give it authority to collect new revenue (fees and taxes). The roles and responsibilities of the RHE would be as follows:

- \* Revenue and debt issuance;
- \* Land leasing and disposition;
- \* Monitoring and reporting;
- \* Enhanced technical assistance;
- \* Oversight of tenant protection programs;

The RHE will be supported by the consolidated staff of MTC/ABAG, with additional specialized staff. The State enabled policy package in the CASA Compact will be implemented by the RHE, with local capacity at the city/county level to implement the protection strategies.

**Proposed Legislation: AB 1487 (Chiu)**

CASA also adopted five (5) calls to action. They are:

- 1) Redevelopment 2.0: Pass legislation enabling the re-establishment of redevelopment in California to provide a significant source of new funding for affordable and mixed income development.
- 2) Lower the Voter Threshold for Housing Funding Measures: Pass legislation that will provide voters statewide with the opportunity to apply a 55 percent threshold for investment in affordable housing and housing production.
- 3) Fiscalization of Land Use: Pass legislation that will return e-commerce/internet sales tax revenues to the point of sale - not the point of distribution as currently mandated- to provide cities that have a specific residential base with a commensurate fiscal stimulus for new housing.
- 4) Homeless Funding: CASA's funding package must include resources that help produce housing for formerly homeless people, prevent homelessness when possible and make homelessness rare, brief and non-reoccurring.
- 5) Grow and Stabilize the Construction Labor Workforce:
  - A) Grow the workforce by increasing apprentice training, placement and payment of prevailing wages when direct public funding, public land, fee abatement, tax abatement, CEQA exemptions, and other fiscal/economic development incentives are provided for housing.
  - B) Discourage the underground economy and require compliance with existing wage and workplace laws.
  - C) Create a CASA/State labor workgroup charged with coordinating implementation of CASA policies and needed labor force expansion consistent with CASA principles.

#### **Next Steps:**

As noted above, legislation has been introduced to implement a number of the policies recommended in the CASA Compact. A lot of the specifics for these bills have not been fully developed. It is recommended that specific comments on bills implementing a CASA policy area be deferred until specific language is available to review.

MTC and ABAG have formed a committee of local selected officials to further develop the concepts and mechanism around the recommended policies. Three local elected officials, representing Solano County, have been appointed to the committee. The first meeting is scheduled for April 5, 2019.

The Solano Transportation Authority, through its relationship with MTC and ABAG, and it's the local agencies, has closely followed the CASA Compact, state legislation, and regional policies under development.

There are several key areas of policy that STA and local agencies staff recommend should be the initial focus of discussion on the CASA Compact. They are:

**A) Issues and solutions that are targeted at the urban core may not work or may not be needed in a suburban area. The housing economics, market pressures and regulatory issues are vastly different. For**

example, higher density, multi-story (4 stories or higher) are not being built locally because the developments are not financially feasible and lenders will not provide funding.

B) In Solano County, approving residential projects is not an issue, ten of thousands of residential units have been fully entitled. The issue is production. Providing funding for predevelopment work, off-site infrastructure and for direct financial assistance for affordable housing would move many projects into development.

C) The return to source of funding should be significantly increased to 90% or 95%, and any funds not returned to source should have an urban and suburban funding structure.

D) A new regional agency is not needed and would require funding that could be used for housing production; each county knows the local housing issues the best and the money should be allocated on a county basis. ABAG can handle the reporting and disbursement issues.

E) Any mandated reporting requirements should include a reimbursement for cost incurred by a local jurisdiction.

F) Implementing requirements should not add to the cost of housing.

G) Flexibility should be provided, on the County level, on how any revenues raised are allocated between housing production, tenant protection, housing preservation and local jurisdiction incentives.

The following is staff's recommended position of the policy recommendations for the CASA Compact:

**1) Just Cause Eviction: No STA Position**

**2) Rent Cap: No STA position**

**3) Rent Assistance and Access to Legal Counsel:** No STA position in general, but the funding is proposed to come from CASA Compact #9. If implemented, it is critical that the funds raised are returned to the source where the funds were raised.

**4) Remove Regulatory Barriers to Accessory Dwelling Units (ADUs):** While there is a concern about the loss of local control, accessory dwelling units could be a substantial source of housing. Most cities in Solano County have ADU ordinances. It would be good to evaluate "best practices" relating to ADUs and removing barriers. **Closely monitor implementing legislation and comments as appropriate.**

**5) Minimum Zoning Near Transit:** This policy has generated significant concern among a number of Bay Area cities, as they are concerned about the loss of local control of zoning. In Solano County, this policy would most likely apply to the ferry terminal area in Vallejo and the area around the rail stations in Fairfield and Suisun City. The concept is valid, increasing density of housing around major transit facilities. If the legislation supporting this concept is approved, it will take away local discretion, but also take away potential local opposition that might have stopped these denser projects. It is unclear if the proposed densities of housing proposed are even currently feasible in Solano County. This should be evaluated. **Implementing legislation should be closely monitored, especially by the three (3) cities.**

**6) Good Government Reforms to Housing Approval Process:** This policy establishes a number of reporting requirements and standards for local governments without any funding to off-set the additional costs to comply. The legislation to implement this policy should be closely monitored to determine the impact and costs to comply. The issue of prevailing wages needs to be closely evaluated in our local market. This policy also impacts the issue of local control. **Implementing legislation should be closely monitored around the areas noted.**

**7) Expedited Approvals and Financial Incentives for Select Housing:** Timely approval of zoning compliant housing projects is a good concept. Creating financial incentives to off-set costs are needed. There are a number of projects locally that have financial gaps that are preventing them from being developed. The details of this policy need to be closely monitored. Again, this policy also impacts local control. It calls for potential tax abatements (from the city, county and schools?) a cap on fees, density bonuses (a number of cities already have density bonus ordinances) and parking reductions. The relief from strict liability standards for ownership housing could stimulate more condo development locally. **Implementing legislation needs to be closely monitored, particularly around tax abatements, cap on fees and land-use issues. Relief from strict liability for ownership housing should be supported.**

**8) Unlock Public Lands for Affordable Housing:** The concept of using surplus and underutilized public land for affordable housing is a good one. A critical issue is the definition of surplus and underutilized lands, and who determines that. Opening up state lands and expediting the process, along with looking at ways to open up surplus or underutilized school lands could generate a significant amount of additional land for housing. There will be staff cost to survey and report surplus lands to the State without reimbursement. The potential impact of requiring trained apprentices and prevailing wages need to be evaluated. One potential addition would be looking at air rights of public lands, such as building housing above publically owned parking lots near transit. **Implementing legislation should be closely monitored to the definition of surplus and underutilized public lands and the concept of adding air rights should be considered.**

**9) Funding and Financing the CASA Compact:** The goal is to raise \$1.5 billion annually to implement the CASA Compact. The policy outlines a number of potential funding options. Many of these funding options require voter approval. Funding is a major constraint in building more housing, particularly affordable housing. Locally, there is a need for predevelopment and infrastructure funding to get sites ready for development. The funds raised would be collected and disburse by a new regional agency (the Regional Housing Enterprise). The policy proposes at 75% return to source, this is not acceptable. the return to source needs to be much closer to 100%. **Implementing legislation should be closely monitored as to the potential funding sources and the return to source percentage has to be increased dramatically.**

**10) Regional Housing Enterprise (RHE):** This policy proposes to establish a new entity to implement the CASA Compact, track and report progress and provide incentives and technical assistance. It is unclear whether such a new entity is needed and what the cost of such an agency would be if established. Further, there is a concern that such a regional agency may focus on the larger cities and counties. This agency, as proposed, would be responsible for the disbursement of funding. If the return to source is not substantially increased, this could be a concern. A strong argument could be made for funding to be disbursed to on a county level, without the need for a RHE. The local housing needs and market are better understood at a county level, versus a regional agency trying to serve the very diverse Bay Area. **It is recommended that a new regional agency concept not be supported.**

The CASA Compact also called for five (5) calls to action. On the surface, these calls to action would be beneficial to local governments. However, the details need to be closely monitored.

It is critical that the three locally appointed officials to the newly formed CASA committee are well briefed on the CASA Compact policy issues and their impact locally. It is also critical that the proposed implementing legislation be closely monitored and commented upon.