



December 19, 2018

TO: Director Elsa Ortiz, President, and  
Members of the Board  
Michael Hursh, General Manager  
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FR: Steve Wallauch  
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**RE: Legislative Update**

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The beginning of the 2019-20 legislative session began on December 3, 2018 with the swearing in of new legislators, and followed by celebrations throughout and around the Capitol. Prior to the November election, the Senate had 26 Democrats and 14 Republicans. It now has 29 Democrats and 11 Republicans, although Senator Ricardo Lara (D-Bell Gardens) will be leaving to become the State's Insurance Commissioner and Senator Ted Gaines (R-El Dorado Hills) will also depart for his position on the Board of Equalization. A special election will be called for both of the vacant seats, but party affiliation is not expected to change in these districts. Assembly Democrats also gained seats, increasing from 55 to 60. Assemblyman Tyler Diep (Huntington Beach) had the distinction of being the only Republican freshman sworn into the Assembly.

The gathering of legislators provided the opportunity for various planning meetings as well as announcements about priorities for 2019. Governor-elect Gavin Newsom, Senate pro Tempore Toni Atkins (D-San Diego), and Assembly Speaker Anthony Rendon (D-Lakewood) have declared similar priorities – wildfire preparedness and prevention, homelessness, housing, early childhood education, healthcare, and possible tax reform. Newsom's January 10 budget proposal is likely to provide additional insight into how many new financial commitments he finds palatable. Legislators introduced more than 100 pieces of legislation, many of which were reintroductions of measures that had been vetoed or had failed in prior years.

Other first-day-of-school announcements included the following:

- Assembly Speaker Anthony Rendon's Leadership team:
  - Assemblyman Kevin Mullin – Speaker pro Tempore
  - Assemblyman Ian Calderon – Majority Leader
  - Assemblyman Mike Gipson – Democratic Caucus Chair

- Assemblyman Ken Cooley – Rules Committee Chair
- The Latino Caucus elected Assemblywoman Lorena Gonzalez Fletcher (D-San Diego) Chair and Senator Maria Elena Durazo (D-Los Angeles) Vice Chair. There are now 33 members of the Latino Legislative Caucus – 28 legislators and 5 statewide officers.
- The Legislative Black Caucus elected Assemblywoman Shirley Weber (D-San Diego) as Chair, with Senator Steven Bradford (D-Gardena) as Vice Chair, Assemblywoman Autumn Burke as Secretary, and Assemblyman Jim Cooper as Treasurer. The caucus now has 10 members.
- The Asian and Pacific Islander Legislative Caucus elected Assemblyman David Chiu (D-San Francisco) as Chair, Vice Chairs Senator Richard Pan (D-Sacramento) and Assemblymember Al Muratsuchi (D-Torrance). Assemblymember Ash Kalra (D-San Jose) will serve as caucus Parliamentarian. Priorities for 2019 include increasing higher education opportunities, promoting API representation within corporate leadership, developing an API leadership pipeline, and ensuring all Californians are counted in the 2020 Census.
- Assembly Republican Leader Marie Waldron (Escondido) announced her leadership team:
  - Assemblyman Heath Flora - Floor Leader
  - Assemblyman Jay Obernolte - Caucus Chair
  - Assemblyman Phillip Chen - Chief Whip
  - Assemblyman Devon Mathis - Whip

**Governor-Elect Gavin Newsom:** In preparation for taking the reins in January, Governor-elect Newsom has begun hiring his cabinet and meeting with Governor Brown to allow for a smoother transition. Newsom has hired Ann O’Leary as his Chief of Staff and Ana Matosantos as his Cabinet Secretary. O’Leary, a lawyer and founding executive director of the Center on Health, Economic, and Family Security and the UC Berkeley School of Law, was the Senior Policy Advisor to the 2016 Clinton presidential campaign. Matosantos served as the Director of the Department of Finance under both Governors Schwarzenegger and Brown, as well as a deputy legislative secretary in the State’s Health and Human Services Agency. Anthony Williams, formerly the director of government relations for Boeing and advisor to Senate Pro Tems Steinberg and Burton will be Newsom’s Legislative Affairs Secretary. Catherine Lhamon will be his Legal Affairs Secretary, transitioning from her service as the Assistant Secretary for Civil Rights at the U.S. Department of Education.

**Assembly Budget Blueprint:** With talk of next year’s policy and budget priorities in the air, Chair of the Assembly Budget Committee, Phil Ting (D- San Francisco) released his Blueprint for a Responsible Budget. It references the possibility of a looming recession and notes that it is incumbent on the Legislature to continue being responsible with taxpayer funds.

Assemblyman Ting emphasizes focusing on one-time investments including reaching a total reserve of 20% and addressing unfunded employee liabilities. Other priorities include wildfire and disaster preparedness, protection, and recovery; renewing and extending the Medi-Cal

managed care organization tax; eliminating the 7% reduction in hours for the In-Home Supportive Services program; pursuing long term goals such as expanding affordable housing, preventing homelessness, expanding early education, providing universal access to healthcare, addressing DMV wait times, and addressing California's waste stream and recycling programs to meet state goals.

***Innovative Clean Transit:*** The California Air Resources Board adopted the Innovative Clean Transit Rule on December 14<sup>th</sup>. Adoption of the ICT Rule puts in place a mandate for all public transit operators to transition to zero emission fleets.

The resolution adopted by the Board directs staff to conduct a readiness review one year prior to start of the purchase mandate. While this falls short of an independent peer review and benchmarks, staff is required to examine vehicle cost, performance, and reliability, as well as infrastructure issues. Staff will also review job creation and training programs and examine any barriers to deployment of zero emission vehicles. The resolution also recognizes the need for additional resources to address indirect costs associated with the ICT, in particular workforce development and training.

While this new rule is now basically in effect, the Executive Officer can make additional conforming changes. If the Executive Officer elects to make substantive changes, the amended language will be released again for a 15 day comment period. Board action is not required to approve of these changes. The final step is for the Office of Administrative Law to review and approve the content of the new language.

## **LEGISLATION**

***Tax Increment:*** There have been a handful of bills introduced so far that deal with tax increment financing. Some of these measures are spot bills or just include intent language, and more are expected to be introduced. However, two bills have been introduced that include substantive changes.

- **AB 11 (Chiu):** This bill would recreate a new redevelopment program that would focus on affordable housing and infrastructure investments. The bill requires a seat on the governing board for each affected taxing entity, and it allows an affected taxing entity to elect to contribute to the RDA or not. In addition, the bill also allows an RDA to capture the growth on the schools share (i.e. ERAF) of the property tax growth. AB 11 does require any new RDA to be approved by the Strategic Growth Council, which must find that the redevelopment plan furthers GHG reduction goals and the fiscal impact to the state for backfilling the lost ERAF growth does not exceed a yet to be specified amount. The new RDA could finance housing, transit, interchanges, bridges, parks and port infrastructure, to name a few.
- **SB 5 (Beall):** This bill would have a similar result to AB 11, but it does not recreate Redevelopment Law. With demise of RDA law, existing law has been expanded to allow for the creation of various forms of Infrastructure Finance Districts (IFD). IFDs are a

form tax increment financing, but it requires the entity creating the IFD to secure the permission of each taxing entity in order to capture that taxing entity's share of the property tax growth.

SB 5 would allow the various forms of IFDs to divert a portion of the ERAF property tax share to the IFD – not just the incremental growth, but the base share of ERAF. SB 5 would require any IFD that wants to capture the ERAF share to submit an application to the Sustainable Investment Incentive Committee, which SB 5 creates. The bill would limit the amount of ERAF tax revenue the Committee can approve to \$200 million each year, with the annual impact not to exceed \$1 billion. These limits are increased in future years.

**SB 50 (Wiener):** In general SB 50 would provide development incentives such as density bonuses and eliminating height restrictions for housing projects constructed near rail transit stations, ferry terminals, or along high quality bus corridors. The bill would also provide these development incentives to projects located in “job rich” areas, which has not been fully defined.

While likely no less controversial than SB 827 from last year, SB 50 does make several changes in an attempt to address concerns expressed about SB 827. The bill includes provisions to delay the application of SB 50 in areas deemed to be a “sensitive community,” which aims to address gentrification concerns. The bill also prohibits a project from being located at a site that would require housing to be removed, or the site included rental housing in the past 7 years. SB 50 also allows local governments to opt out of SB 50 if they develop their own plans that increase density and multi-family housing near transit.

The bill defines a high quality bus corridor as follows:

*(e) “High-quality bus corridor” means a corridor with fixed route bus service that meets all of the following criteria:*

*(1) It has average service intervals of no more than 15 minutes during the three peak hours between 6 a.m. to 10 a.m., inclusive, and the three peak hours between 3 p.m. and 7 p.m., inclusive, on Monday through Friday.*

*(2) It has average service intervals of no more than 20 minutes during the hours of 6 a.m. to 10 a.m., inclusive, on Monday through Friday.*

*(3) It has average intervals of no more than 30 minutes during the hours of 8 a.m. to 10 p.m., inclusive, on Saturday and Sunday.*

While train stations and ferry terminals are fixed location, applying these development incentives along bus corridors places zoning authority with the bus operator, because the bus operator can increase or decrease service in order for the SB 50 incentives to apply or not apply.