



HOUSING, COMMUNITY, AND ECONOMIC, DEVELOPMENT POLICY COMMITTEE

Thursday, January 23, 2025

10:00 am – 2:00 pm

Sacramento Convention Center, Meeting Room 11

AGENDA

- I. **Welcome and Opening Remarks**
- II. **General Briefing (Attachment A)** *Informational*
- III. **Public Comment**
Public Comment is for non-committee members.
- IV. **Ice Breakers**
Questions: What is your name? What city do you represent? What is your favorite thing about your city?
- V. **Summary of Existing Policy and Guiding Principles**
Speaker: Brady Guertin, Legislative Representative, Cal Cities
- IV. **Housing and Economic Development Budget Review** *Informational*
Speakers: Rowan Isaaks, Economist, Legislative Analyst Office
Paul Steenhausen, Principal Fiscal & Policy Analyst, Legislative Analyst Office
- V. **Economic Development Opportunities for Cities** *Informational*
Speaker: Derek Kirk, Sr. Economic Advisor, Governor's Office of Business and Economic Development
- VI. **2025 Housing Priorities** *Informational*
Speaker: Senator Wahab, Senate District 10 (invited)
- VII. **Adoption of 2025 Work Plan** – Committee discussion and approval *Action*
Please complete [this brief survey](#) prior to the meeting for the work plan.
- VIII. **Legislative Update** – Overview of current legislative, regulatory and budgetary developments *Informational*
Speakers: Brady Guertin, Legislative Representative, Cal Cities
Waleed Hojeij, Legislative Affairs and Policy Analyst, Cal Cities
- IX. **Closing Remarks and Adjourn**

Next Meeting: Thursday, March 27, 10:00 a.m. - 2:00 p.m. Burbank, California.

Brown Act Reminder: The League of California Cities' Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:

- 1. Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote); or*
 - 2. A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.*
- A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at Cal Cities meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.*

The January 23-24, 2025, Policy Committees General Briefing

Cal Cities 2025 Wildfire Resources:

The fires raging in Southern California have put even some of the most seasoned public officials firmly in uncharted territory. [Misinformation campaigns](#), [artificial intelligence-fueled scams](#), and [federal brinksmanship](#) are worsening what will likely be two of the most destructive wildfires in California's history. We've compiled a list of trusted resources to help officials cut through the noise and focus on response and recovery.

What website should I go to for updates and resources?

[Ca.gov/LAfires/](https://www.ca.gov/LAfires/) is a one-stop shop for essential resources and information. The website includes links to disaster assistance, real-time updates and safety tips, information on consumer protections, and other resources.

What other government resources are out there?

Cal Cities has compiled a comprehensive list of [federal, state, and local resources](#) and activated a peer network of city managers to help cities in affected areas. For more information about the network, please contact your [regional public affairs manager](#).

Governor's Proposed Budget Highlights:

One of Gov. Gavin Newsom's favorite budget truisms usually takes some form of "values are reflected in our investments." But his budget proposal today calls into question what those values are and how deep his commitment runs when it comes to resolving some of the state's most intractable problems.

Earlier this week, Newsom eschewed his normal annual budget presentation to give what he described as a preview on Monday. That left Department of Finance Director Joe Stephenshaw in the hot seat on Friday, as he unveiled a \$322.2 billion spending proposal for the upcoming fiscal year.

The budget maintains or increases commitments made in last year's budget for major climate change and infrastructure initiatives, thanks in part to a modest budget surplus of \$363 million and a voter-approved \$10 billion climate bond. But the budget falls noticeably and dramatically short on housing and homelessness.

"Time and time again, surveys show that homelessness and housing costs are a top concern for residents throughout California," said Cal Cities Executive Director and CEO Carolyn Coleman in a statement. "In addition, recent federal and state reports demonstrate that targeted and sustained funding reduces homelessness. That's why it is disappointing that the Governor's 2025-26 budget proposal fails to include any new funding for the Homeless Housing, Assistance and Prevention Grant Program and affordable housing programs.

For new budget watchers, a sudden surplus might sound surprising after two years of deficits. But California's progressive tax system depends heavily on stock market gains, which have increased due to a bullish outlook on chipmakers and large tech companies. Newsom has pointed out that could change in the coming months if the incoming federal administration delivers on campaign promises, such as new tariffs. Newsom and others are also already figuring out how to fund what is likely to be another round of bruising legal fights, many centered on the state's environmental policies.

Then there's the matter of the wildfires raging in Southern California. The Federal Emergency Management Agency has agreed to cover much of the costs. However, the process for securing such reimbursements can be lengthy even under friendly federal administrations. And many of those affected communities are covered by the state's last-resort FAIR Plan.

Figuring out what your values are can be hard in flush years. It's even harder during uncertain years. For additional information, please read our in-depth [budget highlights](#).

Policy Committee Information:

Community Services

Caroline Grinder, Lobbyist

Looking to the year ahead, the Community Services Policy Committee will remain committed to advancing Cal Cities' [advocacy priority](#) of securing investments to prevent and reduce homelessness. The committee will also continue to focus on other pressing issues, such as addressing the substance use and mental health crisis, supporting early learning and childcare programs, increasing access to open space, and bolstering cities' efforts to support seniors and the aging community.

Budget Update:

When it comes to homelessness funding in the state budget, cities are experiencing déjà vu. Just like [last January](#), the Governor's proposed budget maintains funding committed in previous budgets but does not include any new funding to address homelessness. This comes as [recent counts](#) show homelessness continues to rise in California, reaching record highs last year. Rather than providing new funding to stem the tide of this crisis, the budget instead focuses on accountability policies targeting local governments' use of state funds.

While the budget does not commit to funding round seven of the state's flagship homelessness services grant program, the Homeless Housing, Assistance, and Prevention (HHAP) grant program, the budget signals that the administration is open to working with the Legislature on additional funding for this program. Cal Cities will turn its attention to the Legislature in the coming weeks to advocate for continued funding of this key program. The proposed budget reinforces the Governor's commitment to increased accountability for existing homelessness funding. This includes increased scrutiny of local governments' reporting, regional convenings led by the Department of Housing and Community Development (HCD), and increased enforcement through the Housing and Homelessness Accountability, Results, and Partnership Unit. The administration has also proposed

creating a new California Housing and Homelessness Agency to provide a more integrated and effective response to the housing and homelessness crisis. This agency will consist of the existing HCD and the California Interagency Council on Homelessness, which are currently under the Business, Consumer Services, and Housing Agency.

Environmental Quality

Melissa Sparks-Kranz, Lobbyist

The Governor's budget proposes \$2.7 billion for the first year of a multi-year expenditure plan to implement a \$10 billion [climate bond \(Proposition 4\)](#), following its passage on the ballot last November. The proposed budget will infuse significant Prop. 4 funding into various climate and environmental programs in the following areas: Safe drinking water, drought, flood and water resilience, coastal resilience, biodiversity and nature-based solutions, clean energy, wildfire and forest resilience, outdoor access and extreme heat mitigation, and dam infrastructure safety.

The proposed budget also acknowledges that policymakers need to continue to prioritize extending the cap-and-trade program beyond 2030 to support the state's carbon neutrality goals, as well as address energy affordability through a suite of actions to meaningfully reduce electric bills. Cal Cities anticipates that with the Los Angeles County wildfires additional legislation will be introduced to cover a wide array of issues that intersect climate change and wildfire preparedness, including areas such as water supply, energy grid operations, CEQA, and Coastal Act. Additionally, housing and coastal legislation, potential CEQA reform, and the clean-up legislation related to the [unfortunate signing](#) of AB 98 (Carrillo, Reyes), the [jam-job](#) warehouse bill from last year, are all slated for this session.

The Environmental Quality Policy Committee will remain committed to advancing Cal Cities' [advocacy priority](#) of strengthening climate change resilience and disaster preparedness, as well as strengthening and modernizing critical infrastructure, including water supply and grid reliability.

Governance, Transparency, and Labor Relations

Johnnie Piña, Lobbyist

The Governor's January budget includes a payment of \$9.1 billion to pay down the state's pension obligations. The budget also includes continued reductions in government operations and cuts to approximately 6,500 vacant positions, along with one-time investments in workforce development programs and upgrades to state technology systems.

Legislatively, this year will be another year full of bills related to governance, transparency, and labor relations. We will likely see repeated attempts at measures that previously failed, particularly in the labor relations space. We will see legislation related to challenges cities continue to face including Ralph M. Brown Act modernizations, increased Public Records Act requests, district-based elections, campaign contribution limitations, managing

elections, grappling with emerging technology such as artificial intelligence, managing disruptions in public meetings, and grappling with public sector vacancy rates.

Housing, Community, and Economic Development

Brady Guertin, Lobbyist

Last year, more than 100 housing related measures were introduced in the legislature. We anticipate a similar number this year. In 2024, the Legislature focused on giving tools to the Attorney General's Office to "hold cities accountable" for the housing shortage as seen by the numerous bills signed by the Governor that codified the builder's remedy, fines for local governments, and other punishments for cities that fail to comply with housing element law. This year, the Governor continues to insist that local governments are not doing enough to promote housing and need to be held "accountable" for a lack of construction, without providing any new funding in this year's budget for affordable housing programs.

2025 Legislative Outlook

The major trend to keep an eye on this year is how the legislature will respond to the Department of Housing and Community Development's (HCD) [2040 Regional Housing Needs Allocation \(RHNA\) Report](#), released last May. The HCD report discusses the department's policy recommendations for the upcoming 7th RHNA Cycle and could spark new legislation this year. In addition, the California State Auditor's Office is expected to release its highly anticipated audit results of HCD's housing element review process during the 6th RHNA Cycle this summer. For more information on how your city can participate and what the audit entails please click [here](#). Finally, the legislature is expected to introduce a variety of legislation on RHNA reform, Density Bonus Law, building codes as it pertains to fire safety, adaptive reuse projects, and a variety of other issues impacting housing affordability. Both the Legislature and the Governor have highlighted the cost of living, housing, and promoting economic development as priorities for this year's legislative session, so a heavy focus on these issues is expected for 2025.

Public Safety

Jolena Voorhis, Lobbyist

The Governor's proposed budget includes significant wildfire mitigation and preparedness funding from the climate bond, including forest health, local fire prevention, wildfire mitigation and additional major capital projects.

With the passage of Proposition 36 and a retail theft legislative package in 2024, the Governor's budget proposal does not include any major investments toward reducing retail theft, fentanyl, or other related issues. The Governor's proposed budget does note the impact Proposition 36 will have on the prison and parole populations.

Due to the recent Los Angeles County Fires there are several legislative proposals expected for recovery including early financial support from the State through the special session.

Regarding the outlook for 2025, please see the issues noted below:

Emergency Preparedness and Disaster Response

Due to the recent wildfire in Southern California, and with the Governor expanding the emergency session to include response to these fires, we anticipate that there will be several legislative proposals in the 2025-26 session.

Fire Insurance/Home Insurance

Cal Cities expects several pieces of legislation on the home insurance issue with about 10 measures introduced to date. Along with emergency preparedness, this issue could be part of the emergency response due to the recent wildfires.

Proposition 36 Implementation

With the passage of Proposition 36, the main focus in 2025 will be the implementation of the new laws regarding retail theft and fentanyl. We anticipate budget proposals or legislation to help to implement these new laws.

Revenue and Taxation

Ben Triffo, Lobbyist

Compared to previous years, this year's budget should be significantly easier for the Governor and Legislature to tackle. The Governor's proposed FY 2025-26 budget comes in at \$322.3 billion, which is a noticeable increase from last year's \$297 billion budget which had the herculean task of addressing nearly a \$47 billion deficit. Of note is that the 2025-26 budget maintains \$16.9 billion in reserves and boasts a modest surplus of \$363 million.

The Governor's proposal is in slight contrast with the Legislative Analyst's Office (LAO), which projected a deficit of approximately \$2 billion and ongoing out-year deficits of \$20-\$30 billion. The LAO has also warned that the state has no capacity to expand existing programs.

The budget proposal avoids drastic budgetary solutions (cuts, delays, and deferrals), as last year's budget was a de facto two-year budget with already enacted budgetary solutions that sought to balance the 25-26 budget. However, caution is warranted, as California's progressive, but volatile tax structure relies on the top 1% of earners, resulting in unpredictable revenue swings. Additionally, natural disasters could lead to tax filing delays, like the ones from two years ago that resulted in significant revenue estimate misses and budget deficits.

The Governor has also emphasized that he will refrain from passing any new taxes, barring any seismic change or action from the federal government that has a significant impact on the state.

Fiscal Reform

Governor Newsom has also called for fiscal reforms that will need to be approved by the voters — specifically changes to 2014's Proposition 2 and 1979's Proposition 4, both of which deal with the state's budget reserves. He wants to double the budget reserve cap from 10% of General Fund dollars to 20% and make reserve contributions not considered

an expense under the Gann Limit. This begs the question, if this flexibility is good for the state, should it not also be the same for cities?

Going Forward

In 2025 the Revenue and Taxation Policy Committee will promote Cal Cities' advocacy priority of protecting local revenues and expanding economic development tools. The committee will also continue to support the work of the City Managers Sales Tax Working Group and the Cal Cities wide education campaign around the working group's recommendation.

Transportation, Communications, and Public Works

Damon Conklin, Lobbyist

Transportation

The 2025-26 State Budget maintains the entirety of the transportation funding included in recent budgets. This includes \$7.7 billion for high-priority transit and rail infrastructure projects to improve rail and transit connectivity between state and local/regional services that help ease traffic congestion and reduce greenhouse gas emissions. There is an additional \$1.1 billion for the Zero Emission Transit Capital Program.

The last budget cut two-thirds of the Active Transportation Program's budget, giving the California Transportation Commission (CTC) only enough funding to approve the top 13 projects out of dozens of applications for grants. This budget proposal modestly restores ATP grant funding to Reconnecting Communities Highways to Boulevards Pilot program, and climate adaptation projects to advance equity and health outcomes.

Broadband

The state budget continues to delay investments for last-mile projects, which connect the broadband network to homes until the 2027 budget year. The lack of augmentations or fund shifts indicates the Administration is focusing on constructing the state's Middle-Mile network and spending previously provided federal funds.

Infrastructure

In addition to providing transportation funding for local streets and roads, bridges, and the state highway system, the Governor's proposed budget contains a five-year infrastructure plan that includes approximately \$55.4 billion in state infrastructure investments over the next five years.

The budget also proposes \$231.5 million to the Dam Safety and Climate Resilience Local Assistance Program for competitive grants for projects that support dam safety and reservoir operations, such as funding for repairs, rehabilitation, and enhancements. Additionally, the budget proposes \$8.5 million to remove obsolete dams and modifications to related infrastructure to increase habitat connectivity, build climate resilience for culturally and economically important fisheries, and improve coastal sediment supply for beaches and shorelines.

Permitting

It is forecasted that the legislature will consider legislation to reform the permitting process involved in building new infrastructure projects. While the focus could be on green and clean energy projects, Cal Cities remains vigilant that efforts should target the lengthy, costly, and duplicative state and federal permitting processes.

Bridges

Cal Cities is sponsoring legislation to ensure local governments receive enough funding to prevent further deterioration and replace bridges that are in poor condition. The federal government previously maintained a dedicated bridge repair and replacement program as a core highway trust fund program and prior federal transportation authorization bills. Legislation is required to compel the state to provide equity in local bridge funding under the federal Highway Infrastructure Program.

Advance Clean Fleet

The California Air Resources Board (CARB) withdrew its request for an EPA waiver to enforce its Advanced Clean Fleets rule. The withdrawal means CARB is now no longer seeking to enforce its ZEV mandate on drayage and private fleets. While CARB is still able to enforce their regs and direct the AG to seek civil penalties against local agencies because they only have that authority, Cal Cities is looking at sponsoring and advancing legislation in 2024 to provide greater flexibility for cities compliance to the ACF regulations.

To find a list of relevant bills for each policy committee, please visit our [bill search webpage](#).