AGENDA

I. Welcome and Introductions
   Speakers: Yvonne Martinez Beltran, Council Member, Morgan Hill
            Wes Speake, Council Member, Corona
            President Daniel Parra, Mayor, Fowler
            Cal Cities Executive Director and CEO Carolyn Coleman

II. Public Comment

III. General Briefing

IV. Promoting Economic Development in Your Community (Attachment A)
   Speaker: Michelle Geller, City of Oceanside
   Informational

V. November Ballot Measures (Attachment B)  Action
   • “Justice for Renters Act” - Rental Control
     Sponsored by AIDS Healthcare Foundation

VI. Redevelopment Agencies and Smart Growth in Your Community (Attachment C)
    Speaker: Assemblymember David A. Alvarez
    Informational

VII. Economic Development Priorities
     Speaker: Assemblymember Eduardo Garcia (Invited)
     Informational

VIII. Legislative Update
      Speaker: Brady Guertin, Lobbyist, Legislative Affairs
      Housing, Community, and Economic Development Bills
      • Hot Bills
      • Priority Bills

IX. Budget Update
    Speaker: Waleed Hojeij, Policy and Legislative Affairs Analyst
    • May Revision Info

X. Adjourn
**Next Meeting:** Staff will notify committee members by August 23 if the policy committee will meet in October. If you have any questions, please contact Meg Desmond, Cal Cities Associate Manager, Legislative Administration.

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**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 League meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.
Every week, Oceanside hosts Sunset Market, where nearly 200 vendors stretched over four city blocks set up shop and about 10,000 people come to enjoy the live music, food trucks, and a vast array of shopping opportunities. Photo courtesy of the city of Oceanside.

March 1, 2024  |  Features  |  By Jackie Krentzman

Gaining purchase: How three cities overcame the pandemic-fueled retail blues

Jackie Krentzman is a Bay Area-based writer/editor with experience creating compelling content in multiple sectors, including DEI, affordable housing, nonprofits, and education.
Retail in California has struggled in recent years, especially businesses with smaller footprints. But for some cities, COVID-19 is the latest — albeit extreme — economic disaster that they’ve weathered and emerged stronger from. Many have taken innovative steps to support and grow their retail sector, especially smaller businesses.

Rising inflation and labor costs have hit small businesses, the backbone of many local economies, particularly hard. A pandemic-era surge in e-commerce, a spike in direct-to-consumer sales, downtown office vacancies, and other macroeconomic trends only made it worse. Over 90% of businesses in California employ fewer than 20 employees — almost one-third of all jobs in the state.

Main Street California, which helps revitalize downtown communities, helps cities attract new businesses and ensure that existing ones thrive. According to Amanda Elliott, who oversees the organization’s programs, many businesses have found success — especially among younger shoppers — by marrying shopping with experiences that foster connection with others.

“Young people are coming into cities to do something other than shop,” Elliott said. “Our programmatic partners have been adding events such as night markets and seasonal fairs, where the customers can become aware of businesses they may not have encountered before.”
Oceanside teamed up with Main Street California to launch a series of events, such as a farmers’ market and a two-week Shop Local holiday celebration. Photo courtesy of the city of Oceanside.

**Surfing economic waves**

One such city is Oceanside, in northwestern San Diego County. For decades, the city was a hub for people buying automobiles. When other cities began transitioning to auto parks and regional shopping malls in the 1980s, the city was forced to remake itself. About 20 years ago, Oceanside began focusing on improving its retail and hospitality sectors — notably in its downtown area, situated right on the coast and next to a historical wooden pier.

The first step was to focus on housing development. “Housing is key, you need people to shop before you can build commercial,” said Economic Development Manager Michelle Geller.
Oceanside began greenlighting multistory housing developments downtown, including mixed-use developments. Altogether, 1,100 units were constructed.

Developers added over 43,000 square feet of commercial space to the city in 2023 alone, with another 400,000 square feet on the horizon. Recent developments include two new hotels, each sporting several restaurants, and bars. From 2018 to 2023, Oceanside’s sales tax revenue increased from $5.8 million to $7.3 million.

Oceanside is also one of the 14 official cultural districts in California. The designation has helped to preserve and promote iconic city landmarks, such as Artists Alley, the California Surf Museum, and tattoo parlors that honor the city’s military heritage. In fiscal year 2022-23, the district’s nonprofit arts and culture sector generated $45.6 million in economic activity, supporting 700 jobs, and contributing $10.3 million in tax revenue.

Geller credits local partners and Main Street with maximizing Oceanside’s downtown, which she sees as Oceanside’s greatest asset. Oceanside teamed up with Main Street to launch a series of events, such as a farmers’ market, a two-week Shop Local holiday celebration, and the now signature Thursday evening Sunset Market. Every week, nearly 200 vendors stretched over four city blocks set up shop, attracting as many as 10,000 residents and visitors to enjoy the live music, food trucks, and a vast array of shopping opportunities.

“I am thrilled with the city’s partnership with Main Street as well as [the] chamber of commerce and Visit Oceanside,” Geller said. “I’ve seen in other cities worked in silos, but I think our success in large part has come because we work so well together.”
Eureka partnered with Main Street California to put on the popular First Saturday Arts Alive. Photo courtesy of the city of Eureka.

From timber to tourism

At the opposite end of the state in Humboldt County, Eureka is also taking very intentional steps to spur retail. For generations, the timber industry drove the city’s economy. Today, tourism and retail are the city’s primary employers.

Like many other small cities, the pandemic was a mixed bag. Some businesses suffered, but others did well. People eager to escape large urban cores came to Eureka for its many outdoor activities. In recent years, cruise ship lines relocated there, boosting tourism. The city has also become a haven for Californians looking to escape the smoke and heat during wildfire season.
Eureka has also partnered with Main Street to put on events, such as the popular First Saturday Arts Alive. The family-friendly event attracts Humboldt County residents and tourists alike looking to shop, eat, enjoy live music, and socialize.

Economic Development Manager Swan Asbury said that Eureka is examining every possible angle to boost its economy, including moving its visitor center to a more central location. It also is examining its zoning options. Half of its Main Street and Old Town business districts are zoned as inland and half as coastal, the latter of which brings with it more stringent regulations. The city has asked the California Coastal Commission to approve some changes to the zoning code that would attract new businesses, including streamlining and lowering the cost of the permitting process. The city also proposed an amendment that would make it easier for people to access Old Town, such as better signage in parking lots, shuttle buses, and pedestrian-friendly improvements.

“Reducing regulations is a way we can support our small businesses,” Asbury said of the city’s proposal to the Coastal Commission. “We need to take advantage of every opportunity. If the Commission approves our amendments, and we hope they do, it will create great opportunity in our coastal zone and along our waterfront.”
El Monte leaders celebrate the groundbreaking of the city's Chick-fil-A in September 2023. Photo courtesy of the city of El Monte.

**Big box business brings benefits**

It’s not just small businesses that have thrived since the end of the pandemic. Big box stores, national chains, and franchises have increased their footprint in some cities as well. The Los Angeles County city of El Monte has undergone an economic renaissance over the last five years in part due to its success in attracting national chains.

Led by City Manager Alma Martinez and with the support of the city council, El Monte created a Business Resource Center to help developers with business licensing and entitlements, streamlining and expediting the often-cumbersome development process.
“In recent years, we have made businesses feel welcome, instead of daunted, in locating here,” Martinez said. “We have brought a public-private mentality that has created a business-friendly environment that companies appreciate.”

El Monte’s efforts will culminate in a new 376,000-square-foot development opening later this year. Near Highway 10, the development will include a Target, Starbucks, Chick-fil-A, In-N-Out, and Raising Cane’s. This one development alone will deliver approximately $770,000 annually in taxes to the city. An important consideration for the city, said Martinez, was Target. El Monte is a food desert, making the store’s fresh vittles vital.

Cities as retail innovation hubs and public living rooms

If there’s one takeaway from all three cities, it’s that every economy eventually changes. Innovation is a must, even when there isn’t a global pandemic. For some cities, this may mean revitalizing shopping districts or focusing on experiences and events. Others have chosen to prioritize manufacturing.

And for many, economic development also means focusing on public safety, walkability, and housing — creating a sense of place that injects vibrancy, civic pride, and identity into communities.

“Shopping districts where people want to congregate are a city’s public living room,” said Main Street’s Elliott. “When you combine shopping opportunities with coffee shops, restaurants, art and theater, and fun events, you have the crucial ingredients for creating community and downtown vitality.”
Steff: Jason Rhine, Director of Legislative Affairs

1. **Justice for Renters Act (22-0008)**

**Initiative Summary:**
The “Justice for Renters Act” would repeal the Costa-Hawkins Rental Housing Act which limits local governments’ authority to enact rent control.

**Initiative Description:**
The “Justice for Renters Act” would repeal the Costa-Hawkins Rental Housing Act which limits local governments’ authority to enact rent control. This measure also specifies the state may not limit the right of cities and counties to maintain, enact, or expand rent control.

The official title and summary are as follows:

The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

**EXPANDS LOCAL GOVERNMENTS’ AUTHORITY TO ENACT RENT CONTROL ON RESIDENTIAL PROPERTY. INITIATIVE STATUTE.** Current state law (the Costa-Hawkins Rental Housing Act of 1995) generally prevents cities and counties from limiting the initial rental rate that landlords may charge to new tenants in all types of housing, and from limiting rent increases for existing tenants in (1) residential properties that were first occupied after February 1, 1995; (2) single-family homes; and (3) condominiums. This measure would repeal that state law and would prohibit the state from limiting the right of cities and counties to maintain, enact, or expand residential rent-control ordinances. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on the state and local governments: Overall, a potential reduction in state and local revenues in the high tens of millions of dollars per year over time. Depending on actions by local communities, revenue losses could be less or more.

**Background:**
Rental housing has become increasingly expensive in California. According to the Legislative Analyst’s Office (LAO), renters in California typically pay 50 percent more for housing than renters in other states and in some parts of the state, rent costs are more than double the national average. While rent is high only a handful of cities have rent control ordinances. About one-fifth of Californians live in cities with rent control. Local rent boards administer rent control. These boards are funded through fees on landlords.

The Costa-Hawkins Rental Housing Act was enacted in 1995 and placed strict limits on a local government's ability to impose rent control. While Costa-Hawkins did not
completely prohibit locally adopted rental control measures, it imposed the following limitations:

- Provides that rental property owners may establish a new rental rate where the former tenant has voluntarily vacated or is lawfully evicted for cause. This is commonly referred to as vacancy decontrol.
- Housing constructed after February 1, 1995 must be exempt from rent control.
- Housing that was already exempt from a local rent control law in place on or before February 1, 1995, pursuant to an exemption for new construction, must remain exempt. This prohibited cities with existing rent control policies at the time of the Act’s passage from expanding their policies, usually meaning units built after the late 1970s cannot be covered by rent control.
- Exempts from rent control single family homes and other units, such as condominiums, that are separate from the title to any other dwelling units, where the tenancy began on or after January 1, 1996.

As a result of the Legislature’s desire to better protect tenants, the Legislature passed and the Governor signed **AB 1482** (Chiu) **Tenant Protection Act of 2019.** This measure placed an upper limit on annual rent increases: five percent plus inflation up to a hard cap of 10 percent. This measure also required that a landlord has and states a just cause in order to evict tenants who have occupied the premises for a year. Both the rent cap and the just cause provisions are subject to exemptions including, among others, housing built in the past 15 years and single family residences unless owned by a real estate trust or a corporation. This measure does not preempt any local rent control or just cause ordinances. This measure sunsets on January 1, 2030.

In recent years two rent control measures qualified for the ballot. In 2018, The Affordable Housing Act – Repeal of Costa-Hawkins: Rent Control (17-0041) failed on the November ballot, only receiving 40.57 percent of the vote. This measure would have repealed the Costa-Hawkins Rental Housing Act and would have allowed a city to establish a locally developed rent control ordinance with no restrictions.

In 2020, The Rental Affordability Act (19-0001), a measure that would have provided local governments greater flexibility and authority to establish a rent control ordinance, failed receiving just 40.15 percent of the vote.

Cal Cities did not take a position on The Affordable Housing Act (2018) or The Rental Affordability Act (2020).

**Fiscal Impact:**
According to the Legislative Analyst’s **Fiscal Impact Estimate Report,** this measure’s economic effects would affect property tax, sales tax, and income tax revenues. The largest and most likely impacts are:

- Less Property Taxes Paid by Landlords. A decline in the value of rental properties would lead to a decrease in property tax payments made by owners of those properties over time. These property tax losses would be partially offset by higher property tax payments resulting from the sales of rental housing. This is because property sales often cause property tax bills to reset at a higher level. Revenue
losses from lower property values would be larger than revenue gains from increased sales. Because of this, the measure would reduce overall property tax payments over time.

- More Sales Taxes Paid by Renters. Renters who pay less in rent would use some of their savings to buy taxable goods.
- Change in Income Taxes Paid by Landlords. Landlords’ income tax payments would change in several ways, both up and down. Some landlords would receive less rental income. This would reduce their income tax payments. On the other hand, over time, landlords would pay less to buy rental properties. This would reduce expenses they can claim to lower their income tax payments (such as mortgage interest, property taxes, and depreciation). This would increase their income tax payments. The overall effect on state income tax revenue is not clear.

Overall, the measure likely would reduce state and local revenues over time. The largest effect would be on property taxes. The amount of revenue loss would depend on many factors, most importantly how communities respond to this measure. For example, if communities that already have rent control expand their rules to include newer homes and single-family homes, revenue losses could be in the high tens of millions of dollars per year. If many communities create new rent control rules, revenue losses could be larger. If few communities make changes, revenue losses would be more limited and dependent on the scope of rent control laws that automatically expanded in response to the repeal of Costa-Hawkins.

Increased Local Government Costs - If cities or counties create new rent control laws or expand existing ones, local rent boards would have increased costs. For communities where rent control laws expand automatically, costs also could increase. Depending on local government choices, these costs could range from very little to tens of millions of dollars per year. These costs likely would be paid by fees on owners of rental housing.

**Existing League Policy:**

*Tenant Protections*

The League supports prohibiting landlords from discriminating against tenants who use housing assistance vouchers issued under Section 8 of the United States Housing Act of 1937 and other public assistance towards their rental payments.

The League also supports requiring landlords that seek to increase monthly rent greater than ten percent to provide tenants 90 day notice before the increase takes effect.

*Rent Control*

The League opposes legislation that restricts the ability of cities to enact rent control ordinances for mobile homes and stick-built housing that are tailored to meet local conditions and circumstances.

The League opposes legislation that would require a city to adopt a mobile home rent control ordinance.

*Housing Finance*
The League supports legislation and state and federal programs that assist in providing financing for affordable housing, including the development of fiscal tools and incentives to assist local governments in their efforts to encourage housing and finance the infrastructure to support housing, as well as establishing an ongoing state commitment for funding affordable housing.

**Build Strong Communities**
Support and embrace the development of strong families and socially and ethnically diverse communities, by:
- Working to provide a balance of jobs and housing within the community;
- Avoiding the displacement of existing residents;
- Reducing commute times;
- Promoting community involvement;
- Enhancing public safety; and
- Providing and supporting educational, mentoring and recreational opportunities.

**Comments:**
*What do the supporters and opponents think about rent control?*

[Justice For Renters](https://justiceforrenters.org) website states the following:

What is the Justice for Renters Act?
The Justice for Renters Act states: "The state may not limit the right of any city, county, or city and county to maintain, enact or expand residential rent control.

What will the Justice For Renters Act Do?
- Removes CA ban on Rent Control
- Allows cities and counties to expand Rent Control.
- Allows local communities to stop predatory corporate landlords from charging unfair and unaffordable rents

Who Supports the Justice for Renters Act?
Pro-renter, Social Justice, Veterans, Senior Groups and Labor Unions support the Justice for Renters Act.

[Californians for Responsible Housing](https://californiansforresponsiblehousing.org) website states the following:

The Justice for Renters Act:
- It will not increase funding for affordable housing
- It will not force local governments to build more affordable housing
- It will not provide any immediate relief to people facing homelessness

Reduces The Supply of Affordable and Middle-Income Housing.
Academic experts have repeatedly demonstrated that extreme rent control stifles new housing construction, perpetuating shortages and driving up costs for renters.

Eliminates Homeowner Protections.
The initiative allows local politicians to tell single-family homeowners how much they can charge to rent out their homes – even if they just want to rent a single room. Homeowners will be subject to regulations and price controls enacted by local politicians.

What do academics think about rent control?
As you may expect, scholars disagree on the impacts of rent control. Economists, both liberal and conservative, generally agree that rent control is not the best policy. According to a 2012 poll of economists, only two percent believed that local ordinances that limit rent increases for some rental housing units, such as in New York and San Francisco, have had a positive impact over the past three decades on the amount and quality of broadly affordable rental housing in cities that have used them.

Experts in other fields such as urban planners and those that study gentrification and displacement believe that rent control can have a positive effect on keeping long-time residents in the community.

Key considerations
- Cities would have a greater ability to tailor their rent control ordinance to the needs of their local community.
- The “Justice for Renters Act” does not mandate that cities establish rent control.
- The “Justice for Renters Act” is consistent with existing League policy.

Support-Opposition:

Support
UNITE HERE Local 11
Veterans’ Voices
Housing is a Human Right
PUSH
Social Security Works
California Nurses Association
ADA - Southern California
CHIRLA
United Native Americans
ACLU SoCal
City College of San Francisco
AIDS Healthcare Foundation
ACLU SoCal
Climate Justice For Africa
ACLU SoCal
East LA Community Corporation
Healing and Justice Center
IDEPSCA
Progressive Democrats of the Santa Monica Mountains
Inquilinos Unidos
Los Angeles Ecovillage Institute
California Partnership Action Fund
IE Votes
IECLT
League of United Latin American Citizens
Mental Health Advocacy Services
Fusion Is Life
Newton’s Law
NorCal Resist
United Union of Roofers, Waterproofers, and Allied Workers
Strategic Actions For A Just Economy
SLO Rent Coalition
Pasadena Tenants Union
San Fernando Valley Democratic Club
Progressive Democratic Club
Santa Monica Democratic Club
Los Angeles College Faculty Guild
California Poor People’s Campaign
Coalition for Economic Survival
CLUE
Iaone
Dolores Huerta Foundation for Community Organizing
East Valley Indivisibles
Santa Monica Forward
Indivisible SF
League of United Latin American Citizens
Oakland Tenants Union
PDA-CA
Pomona Economic Opportunity Center
Indivisible Sacramento
Santa Monicans for Renters’ Rights
Northridge Indivisible
Monterey County Democrats
San Joaquin Valley Democratic Club
Kings County Jimmy Carter Club
Monterey County Renters United
ACCE
UHRI
UTLA
Navigation

**Opposition**
Bay Area Council
California Apartment Association
California Association of Realtors
California Black Chamber of Commerce
California Building Industry Association
California Chamber of Commerce
California Council for Affordable Housing
California Hispanic Chamber of Commerce
California Mortgage Bankers Association
California Senior Alliance
California YIMBY
Community Build, Inc.
East Bay Leadership Council
Housing Action Coalition
Los Angeles County Business Federation
National Diversity Coalition
North Bay Leadership Council
RestoreLA-CDC
Sacramento Regional Business Association
San Diego Regional Chamber of Commerce
The East Los Angeles Community Union
The Two Hundred for Homeownership
United Chambers of Commerce of the San Fernando Valley
West Hollywood Chamber of Commerce
Western Manufactured Housing Association
Senate President Pro Tem Emeritus Toni Atkins
Assemblymember Buffy Wicks
San Diego County Supervisor Joel Anderson
Fullerton Mayor Nick Dunlap
La Mesa City Councilmember Colin Parent
Sacramento City Councilmember Elect Phil Pluckebaum

Staff Recommendation:
Staff recommends the committee discuss and determine a position.

Committee Recommendation:
Bill Summary
AB-2945, the Reconnecting Communities Redevelopment Act, will allow cities and counties to form community and affordable housing reinvestment agencies (RCRA) to fund infrastructure through tax increment financing. These agencies will focus on infrastructure development to reduce greenhouse gas emissions, support affordable housing, and revitalize specific community areas centered around a Reconnecting Communities Freeway Project.

Existing Law
In 1945, the California Legislature authorized cities and counties to establish redevelopment agencies as a tool for local governments to develop, reconstruct, and rehabilitate residential, commercial, industrial, and retail districts. In 1951, the legislature passed further legislation that supported redevelopment agencies through funding from local property taxes and tax increment financing, which uses future increases in property taxes to subsidize current improvements. In 1976, the legislature added the provision that at least 20% of tax increment revenue be dedicated to increasing, improving, and preserving the supply of housing.

It was in the 1970s that the amount of projects increased significantly due to the state guaranteeing schools a certain level of funding (ending the zero-sum approach to funding redevelopment projects) and prop 13 which limited property-tax income to 1%, incentivizing tax increment financing tool. As a result to these changes, as of 1966, 27 project areas had been identified. In 1976, this number exploded to 229.

Although many of these projects brought vital infrastructure, like housing, to blighted communities, the states obligation to reimburse schools was a major drain on the state’s budget. In 2008, 12 percent of state-wide property tax revenue was used by Redevelopment Agencies (RDA). Additionally, RDAs were often financially inefficient while funding superfluous projects that did not match the original intention of their creation.

These financial issues were exacerbated by the 2008 financial crisis where the state budget was running a significant deficit. As a result, the legislature dissolved RDA’s through ABX1 27 and ABX1 26.

How They Worked:
RDA’s relied on tax increment financing from the property taxes to use as funds for development projects. Essentially, the local government’s take of property taxes are fixed (or frozen) so that they don’t lose their funding while any growth is sent to RDAs.

Local governments that do not have RDA’s set up, would split the property tax growth among the schools, county, and city.
Proposal:
AB 2945 seeks to reestablish RDAs under the name Reconnecting Communities Reinvestment Agency (RCRA) but with stricter financial oversight and housing requirements.

These new requirements include:

- Public input before RCRAs are created
- State approval through the Strategic Growth Council.
- Agencies are required to adopt an annual budget and to maintain detailed records of every action taken by that agency for a specified period of time, and would provide that any person who violates this requirement be subject to a fine of $10,000 per violation.
- Agencies are required to submit an annual report, and a final report of any audit undertaken by any other local, state, or federal governmental entity, to its governing body.
- The agency is required to submit a copy of the annual report with the Controller and a copy of any audit report with the Department of Housing and Community Development.
- Procedures under which the Controller would identify major audit violations and the Attorney General would bring an action to compel compliance.
- Requirement for 30% of funds to be spent on affordable housing.
- Reporting requirement of the displacement that occurs.
- Requires that the agency must build or refurbish an equal number of dwelling units to the removed dwelling units if they were inhabited by very low, low, and moderate income individuals within the at any times within the five years before the establishment of the agencies.
- They must have an equal number of rooms available very low, low, and moderate.
- For inhabitants of removed dwelling units that are not affordable, they must replace at least 25%
- Relocation assistance requirement.

The removal of RDAs has deprived our state of a critical tool to resolve our infrastructure and economic development needs. The American Society of Civil Engineers gave California a C- on our infrastructure.

This is especially problematic as we struggle with a housing shortage crisis. The consulting firm McKinsey noted in a report that 49th out 50 US states for housing units per capita, we are currently 2.5 million units short of demand, and by 2025, we will need 3.5 million. This shortage causes an annual loss of $140 billion.

Both the federal and state government has launched Reconnecting Communities grant programs totaling over $3 billion over the next few years that will go to removing, retrofitting, or mitigating highways or other transportation facilities that create barriers to community connectivity, including mobility, access, or economic development. Reestablishing RDAs with built-in protections to prevent the previous mistakes can go a long way to resolving California’s housing and infrastructure crisis, and AB 2945 can be an important tool for some of California’s neighborhoods that were divided by freeway development.

Support:
Habitat for Humanity
California Association of Realtors
City of Pasadena

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