REVENUE AND TAXATION POLICY COMMITTEE
HIGHLIGHTS
Thursday, March 27, 2025

ATTENDANCE
Members: Kevin Bash (Chair); Neysa Fligor (Vice Chair); Tess Albin-Smith; David Arellano; Carmen Avalos; Michael Cao; Derek Cole; Jack Ding; Marc Donohue; Felicia Galindo; Jorgel Garcia; David Gassaway; John Gillison; George Harris; Matthew Hawkesworth; Kevin Ingram; Launa Jimenez; Jeff Jones; Debra Jones; Brian Kalinowski; Mina Layba; Sylvia Lemus; Jesse Lopez; Christine Marick; Norma Martinez-Rubin; Michael McCorriston; Kris McDonald; Clara Miramontes; Ed Musgrove; Daniel Ramos; Roberta Raper; Ernie Reyna; Rocky Rhodes; Doug Robertson; Natalie Rogers; Joel Rojas; Scott Sakakihara; Karin Schnaider; Josh Steeber; Luis Uribe; Joe Vinatiera; Melissa Walker; Pamela Wu; Tommy Yu; Yan Zhao

Cal Cities Partners: Desiree Haus; Larry Kosmont

Staff: Ben Triffo, Legislative Affairs Lobbyist
Betsy Montiel, Legislative Affairs Analyst

I. General Briefing
Prior to the convening of the policy committees, members gathered for a general briefing where Cal Cities staff provided high-level legislative and budgetary updates. The session served as an opportunity to align all policy committees on major state developments and cross-cutting issues impacting cities.

II. Welcome and Introductions
Chair Kevin Bash provided opening remarks and welcomed committee members.

III. Public Comment
Chair Bash opened the meeting for public comment. There was no public comment.

IV. Predictability and Stability: How to Bring Development to Your Community
During the meeting, a joint panel was held with the Housing, Community, and Economic Development Policy Committee, featuring a discussion with representatives from the commercial real estate and development sectors. Panelists included Skyler Wonnacott, Senior Director of Government Relations at the California Business Properties Association; Rob Cord, Founding Partner at Advisors Real Estate Asset Services; and Phil Tate, Senior Vice President of Development and Government Affairs at Kilroy Realty Corporation.

One of the dominant themes was the role of CEQA in delaying or derailing development projects. Panelists emphasized that the threat of litigation – especially under CEQA – can add hundreds of thousands of dollars in legal and consultant fees. One panelist estimated that a CEQA battle costs approximately $450,000 and carries only a 50/50 chance of success, discouraging developers from pursuing otherwise viable sites. Developers urged cities to define allowable land uses in advance clearly and to use negative declarations or mitigated negative declarations wherever appropriate to reduce CEQA exposure.

Another primary focus was the importance of zoning clarity and ministerial approvals. Developers praised cities like San Diego and South San Francisco for proactively updating their specific and community plans to allow by-right approvals when projects meet predetermined criteria. They said this eliminates risk and shortens timelines – both crucial to making projects financially viable. One developer summarized the issue by saying, "the best cities to work in are the ones with clear rules that are hard to deviate from."

Electrification mandates were another point of concern. While the panelists affirmed their support for sustainability, they warned that aggressive electrification policies must be balanced with the actual capacity of utility providers. Utilities like PG&E were described as "unmovable" and "the bottleneck" in many projects. They said that electrification mandates risk becoming project killers without assurances that power can be delivered in time.

The discussion also touched on the importance of vibrant street life and small business ecosystems. Panelists emphasized that tenants – especially office tenants – want to be in places with walkable environments, cafes, public safety, and pedestrian activity. One said, "small businesses are the catalyst. They make streets feel safe and active."

This panel led to a robust discussion from members of our policy committee, who shared their experiences and thoughts. One committee member spoke about how litigation and the absence of clear land use policies led to a Whole Foods abandoning plans to open in their city and instead locating to the city next door. This cost the city a potential anchor tenant and redirected long-term tax revenue to another jurisdiction.

Further conversation by the committee focused on the legal risks of council involvement in development decisions after a plan is submitted, citing a court case that required a jurisdiction to pay $24 million due to a council member's undue influence on a local development project. As a result, they now refuse to express any opinion on development applications once they have been submitted to the local jurisdiction. This is important in their view to preserve due process and protect the city from potential litigation.

Committee members described the experience of complying with state mandates as "being parented." They emphasized that while cities want to comply, they also want to preserve local identity and standards. Some members also asked developers to show grace and understanding as cities navigate rapid regulatory change, saying, "We're not misbehaving—we just want autonomy."

V. GREEN Economic Development – Achieving Sustainability and Vitality in a Digital Economy

Guest speaker Larry Kosmont, Chairman and CEO of [Kosmont Companies] presented on consumer changes and private investment trends that are shifting state policy towards promoting housing development and climate resiliency. Members learned about how to leverage primary sources of value capture for the economic development goals of their communities such as private investment, zoning, and public funding.

Mr. Kosmont discussed the changing landscape around land use and how cities can build new housing to generate new tax revenues and local jobs. The committee also learned about tools and approaches to green economic development, which include Tax Increment Financing Districts (TIF), Enhanced Infrastructure Financing Districts (EIFD), and Climate Resiliency Districts (CRD).

Members asked questions and thanked Mr. Kosmont for the presentation.

VI. City Managers Sales Tax Working Group Recommendation Discussion

Cal Cities staff Ben Triffo provided an overview of the City Managers Sales Tax Working Group. The working group reached a consensus on a policy recommendation regarding the allocation of Bradley Burns sales and use tax revenues generated from e-commerce. Members held a robust discussion about a potential split of the Bradley Burns sales and use tax. The committee also discussed the potential of a one-time fund to address losses for cities that stand to lose under a 50/50 split of Bradley Burns. Additionally, some members noted that further information and context should be provided on the component of the working group's recommendation that allows for a +/- 10% of either side of the 50/50 split, noting that a change of 10% to either side could significantly change which cities stand to gain or lose revenues. It was requested that staff ask CDTFA to model a 60/40 split of the Bradley Burns.

Ben also let the committee know of upcoming events to further educate Cal Cities more broadly on issues related to sales and use tax and e-commerce transactions.

Chair Bash provided closing remarks on the discussion and thanked members for their input on this issue.

VII. Legislative Update

Due to time constraints, the committee did not receive a legislative update.

For more information about Cal Cities priority bills in Revenue and Taxation, please visit the Revenue and Taxation Hot Bills list and Priority Bills list.

VIII. Adjourn

Chair Bash and Vice Chair Neysa thanked members for attending the meeting. Chair Bash adjourned the meeting.

Next Meeting - Virtually: Friday, June 13, 9:30 a.m. - 12:30 p.m.