



NAPA VALLEY TRANSPORTATION AUTHORITY Board Agenda Letter

TO: Board of Directors
FROM: Kate Miller, Executive Director
REPORT BY: Kate Miller, Executive Director
(707) 259-8634 / Email: kmiller@nvta.ca.gov
SUBJECT: State Legislative Update and State Bill Matrix

RECOMMENDATION

That the Napa Valley Transportation Authority (NVTA) Board receive the State Legislative update prepared by Platinum Advisors (Attachment 1) and approve board position recommendations for bills on the State Bill Matrix (Attachment 2).

COMMITTEE RECOMMENDATION

None

EXECUTIVE SUMMARY

Attached is the State legislative update (Attachment 1), and State Bill Matrix (Attachment 2) that includes several bills introduced at the beginning of the new legislative session.

PROCEDURAL REQUIREMENTS

1. Staff Report
2. Public Comments
3. Motion, Second, Discussion and Vote

FISCAL IMPACT

Is there a Fiscal Impact? No

SUPPORTING DOCUMENTS

Attachments: (1) January 8, 2019 State Legislative Update (Platinum Advisors)
(2) January 8, 2019 State Bill Matrix (Platinum Advisors)



January 8, 2019

TO: Kate Miller, Executive Director
Napa Valley Transportation Authority

FR: Steve Wallauch
Platinum Advisors

RE: Legislative Update

Transition: Governor Gavin Newsom was sworn in yesterday as California's 40th Governor. The ceremony included a performance by a choir from Compton, a Mexican roots band from San Pablo, poetry recitals from the First Partner, Jennifer Siebel Newsom, and Rev. Stephen Privett, and the Governor being upstaged by his two-year old son, Dutch. While Governor Newsom's address centered on the California Dream, its values, and togetherness, he did not hold back on singling out the "incompetence in the White House," and the powerful forces arrayed against us. He paid tribute to Governor Brown, and highlighted his priorities of education, healthcare, and climate change.

Governor Newsom has been busy staffing-up his office, and numerous appointees to agencies and departments will be announced in the coming weeks. Here are a few of the appointments made so far. 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.

New Legislature: The beginning of the 2019-20 legislative session commenced on December 3, 2018 with the swearing in of new legislators, 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) left to become the State's Insurance Commissioner and Senator Ted Gaines (R-El Dorado Hills) also departed 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.

Both Senate pro Tem Toni Atkins and Assembly Speaker Anthony Rendon have announced leadership and committee membership information. Many committee chairs and vice-chairs have remained the same, however several committees are a little larger in order to incorporate new members. The biggest change was in the Senate where Pro Tem Atkins split the Senate Transportation & Housing Committee. Senator Jim Beall will continue to serve as chair of the Senate Transportation Committee, while Senator Scott Wiener will serve as the chair of the Senate Committee on Housing.

Senate Leadership Positions

Senator Bob Hertzberg (D-Los Angeles) – Senate Majority Leader

Senator Mike McGuire (D-Healdsburg) – Assistant Majority Leader

Senator Nancy Skinner (D-Berkeley) – Majority Whip

Senator Maria Elena Durazo (D-Los Angeles) and Senator Scott Wiener (D-San Francisco) – Assistant Majority Whips

Senator Connie Leyva (D-Chino) – Democratic Caucus Chair

Senate Committees – full committee membership will be announced prior to committees meeting.

Assembly Leadership Positions

Assemblymember Kevin Mullin (D-South San Francisco) – Speaker pro Tempore

Assemblymember Rebecca Bauer-Kahan (D-Dublin) – Assistant Speaker pro Tempore

Assemblymember Ian Calderon (D-Whittier) – Majority Leader

Assemblymember Rob Bonta (D-Alameda) – Assistant Majority Leader

Assemblymember Al Muratsuchi (D-Torrance) – Assistant Majority Leader for Policy and Research

Assemblymember Todd Gloria (D-San Diego) – Majority Whip

Assemblymember Tasha Boerner Horvath (D-Oceanside) and Jesse Gabriel (D-Encino) – Assistant Majority Whips

Assemblymember Mike Gipson (D-Carson) – Democratic Caucus Chair

Innovative Clean Transit: The California Air Resources Board adopted the Innovative Clean Transit (ICT) Rule on December 14th. 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 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 redevelopment agency (RDA) or not. In addition, the bill also allows an RDA to capture the growth on the schools share (i.e. Educational Review Augmentation fund [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 Greenhouse Gas (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 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 if the site had 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 locations, applying these development incentives along bus corridors indirectly 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.

55% Vote: Assemblywoman Aguiar-Curry introduced ACA 1 on the first day of session. This constitutional amendment would lower the voter threshold for property tax increases, parcel taxes and sales taxes to 55% if the funds are used for affordable housing and infrastructure projects. This includes improvements to transit and streets and highways.

Wayfair: Assemblywoman Autumn Burke and Senator Mike McGuire have introduced AB 147, which would enact changes to implement the *South Dakota v. Wayfair* decision. Under Wayfair, the U.S. Supreme Court found that online retailers are required to collect and remit sales tax regardless of whether the online retailer has a physical presence in the state where the order is delivered.

The California Department of Tax and Fee Administration (CDTFA) through its authority has issued a letter stating how it intends to comply with this decision which relies on the \$100,000 threshold implemented in South Dakota, but CDTFA would apply that dollar threshold to sales within each taxing jurisdiction, not statewide total. To simplify this process, AB 147 would propose a \$500,000 statewide threshold. This bill would also require sales tax to be collected on sales made through an intermediary, such as eBay, and under the bill eBay would be the entity that is required to collect and remit the tax.



January 8, 2019

Existing Positions

Bills	Subject	Status	Client - Position
<p><u>AB 11</u> <u>(Chiu D)</u> Community Redevelopment Law of 2019.</p>	<p>AB 11 would enact the Community Redevelopment Act of 2019, and allow local governments to form a housing and infrastructure agency 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 redevelopment agency (RDA) or not. In addition, the bill also allows an RDA to capture the growth on the schools share (ie Educational Revenue Augmentation Fund [ERAF]) of the property tax growth.</p> <p>AB 11 does require any new RDA to be approved by the Strategic Growth Council, which must find that the redevelopment plan furthers greenhouse gas (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, transit priority projects, interchanges, bridges, parks and port infrastructure, to name a few. The projects do not need to be located within the redevelopment area, but must have a nexus to the project area.</p>	<p>ASSEMBLY PRINT</p>	<p>Recommended Position: WATCH</p>
<p><u>AB 147</u> <u>(Burke D)</u> Use taxes: collection: retailer engaged in business in this state.</p>	<p>This bill would implement a variation of South Dakota law in order to comply with the Wayfair v. South Dakota decision.</p> <p>Specifically this bill would specify that a retailer engaged in business in this state includes any retailer that, in the preceding calendar year or the current calendar year, has cumulative sales of tangible personal property for delivery in this state that exceeds \$500,000.</p>	<p>ASSEMBLY PRINT</p>	<p>Recommended Position: SUPPORT</p>

<p><u>ACA 1</u> (<u>Aguiar-Curry D</u>) Local government financing: affordable housing and public infrastructure: voter approval.</p>	<p>This constitutional amendment would lower the voter threshold for property tax increases, parcel taxes and sales taxes to 55% if the funds are used for affordable housing and infrastructure projects. This includes improvements to transit and streets and highways.</p>	<p>ASSEMBLY PRINT</p>	<p>Recommended Position: SUPPORT</p>
<p><u>SB 5</u> (<u>Beall D</u>) Local-State Sustainable Investment Incentive Program.</p>	<p>SB 5 would allow the various forms of Infrastructure Finance District (IFD) authority 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.</p> <p>SB 5 generally promotes the construction of housing and infill development that promotes transit use.</p>	<p>SENATE RLS.</p>	<p>Recommended Position: WATCH</p>
<p><u>SB 50</u> (<u>Wiener D</u>) Planning and zoning: housing development: equitable communities incentive.</p>	<p>SB 50 is the reintroduction of SB 827 from last year. 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.</p> <p>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</p>	<p>SENATE RLS.</p>	<p>Recommended Position: WATCH</p>

	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.		
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