



P.O. Box 3144
Los Altos, CA 94024
408-766-9534

December 18, 2018

ABAG Executive Board Members

MTC Board Members

State Assemblymembers and Senators representing Santa Clara County

Via email

RE: CASA Compact

Dear Executive Board Members, MTC Commissioners, Honorable Assemblymembers and Senators:

We are writing on behalf of the Executive Board of the Cities Association of Santa Clara County (CASCC), an association of the fifteen cities of the county, and the elected representatives of over 1.9 million Bay Area residents. The cities of our association are diverse and include cities with a few thousand residents to a large city with a million people. We work to find consensus and solutions to regional issues. We are writing to express our concern about the CASA Compact as follows:

1. CASCC recognizes there is a housing crisis, and most of our cities are working hard to increase housing, especially affordable housing. We have actively studied different types of housing and affordable housing best practices. We applaud a regional discussion on the issue of housing.
2. Our cities have diligently worked to entitle projects under the existing RHNA system. When RDAs were eliminated and the Palmer decision was issued, our cities sought other funding sources for affordable housing, including impact fees across all forms of commercial development. We have enabled further production of ADUs. Between fees and negotiation with developers, we work to get the funding we need to support the public infrastructure that supports new development that is otherwise chronically underfunded. Given varying economic conditions from city to city, a one-size-fits all approach may yield no housing in some cities while yielding windfalls for developers in others, while leaving us without adequate funding for the infrastructure that makes our communities whole – schools, transportation, etc. We believe that tools that enable local control but hold us accountable for housing entitlement are a better solution. Further, repurposing of revenue streams used for core city services requires careful consideration of each city's economic circumstances.
3. CASCC representatives on ABAG Executive Board and MTC were not included in this process. The proposal may have significant unintended consequences both locally and regionally that the CASA Board cannot appreciate because local government officials were not included with the development of the proposals. CASCC and all the cities in the Bay Area should be part of the dialogue on proposed solutions. We urge you to actively engage us before moving forward, and carefully read the attached letters to-date from our member cities. We are posting cities' letters as we receive them at <https://citiesassociation.org/response-to-casa-compact/>

4. Without engagement of all cities of all sizes, securing support from our cities and our citizens will be difficult and Implementation even harder.

Thank you for your consideration; we look forward to working with you to find solutions we can all support.

Sincerely,



Rod Sink
President



Andi Jordan
Executive Director

cc: City Association Board of Directors
City Managers
Seth Miller, League of California Cities
CASA Co-chairs



December 10, 2018

Mr. Jake Mackenzie, Chairperson
Metropolitan Transportation Commission
1536 Gladstone Way
Rohnert Park, CA 94928

Subject: Vote No on the CASA Compact

The City of Sunnyvale appreciates MTC and ABAG's dedication in seeking solutions to increase the supply of affordable housing. However, there are fundamental concerns with the recently released CASA Compact ("Compact") that should be corrected. While Sunnyvale believes there are some worthwhile proposals within the draft Compact, it is unacceptable in its current form. The proposed funding mechanisms and changes to land use authority are a direct assault on cities.

Sunnyvale does not believe that a 'one size fits all' policy is appropriate for meeting the housing demands in the Bay Area region. In addition, Sunnyvale considers itself a regional leader in addressing housing needs, however, not all approaches are appropriate for all communities. There are physical geography differences, local challenges, infrastructure constraints, and fundamental community values that shape the way regulations are formulated in each community.

Funding Proposal

We have several concerns with the funding strategies proposal. To fund the CASA Compact at a rate of \$1.5 billion per year for 15 years, the Compact identifies using a variety of sources. Six of the ten funding mechanisms identified in the Compact rely on new voter approved taxes. Only one of these, the commercial linkage fee, recognizes that these fees are already in place in many cities. We believe that without the support of cities on new voter approved taxes, the chances of these passing are very limited. The end result would be no progress on housing issues.

In 2016, Santa Clara County voters passed Measure A. This was a new parcel tax that is devoted specifically to affordable housing. The Sunnyvale City Council voted to endorse the measure and it passed with 67.8% support countywide. After Santa Clara

Glenn Hendricks
Mayor

Larry Klein
Vice Mayor

Jim Griffith
Councilmember

Gustav Larsson
Councilmember

Nancy Smith
Councilmember

Russ Melton
Councilmember

Michael S. Goldman
Councilmember

County voters already voted to raise property taxes on themselves to support affordable housing, it would be difficult to support an additional regional measure that raises property taxes again and applies equally to all counties. CASA proposes two measures that would raise property taxes, a \$48 per year parcel tax, and general obligation bonds. According to the Secretary of State website, as of October 2018, Santa Clara County has the most registered voters of the nine Bay Area Counties with 22% of the total. CASA's one size fits all proposals to increase property taxes will not be successful without local support from cities and counties.

Most concerning is CASA's funding proposal for a "Revenue Sharing Contribution," which would divert 20% of property tax growth across the region. The Compact is not specific about whether this applies to cities, counties and school districts. In Sunnyvale, property taxes are the largest (46%) and most stable source of funding for our General Fund. This funding is needed to pay for core services such as police, fire, libraries, and street maintenance. Our expenses for these core services and others increase every year and we count on revenue growth (especially property taxes) to balance our budget. CASA's Revenue Sharing proposal would result in significant cuts to core services in every Bay Area city. If CASA's proposal also applies to school districts, the chances are remote that it will be supported by Sunnyvale voters who value quality education.

The draft Compact also proposes that of the funds collected, 75% would be spent in the county of origin. As proposed, Sunnyvale residents and businesses would pay millions in new taxes each year, face reduced services, and have no guarantee that a single affordable housing unit be produced in Sunnyvale. Furthermore, the Compact contains few if any details about how funding decisions would be made. Based on adopted fiscal management policies, the City of Sunnyvale will strongly oppose funding mechanisms that would result in reduced local services.

Consideration for Local Housing Programs and Accomplishments

Sunnyvale has worked hard to develop numerous tools and programs to finance and support the development of affordable housing. In the early 1980s the City embarked on a series of planning and housing programs to increase the housing supply, increase the availability of affordable housing and decrease the number of potential jobs. These efforts included:

- Rezoning industrial and commercial properties to allow for additional housing three phases over 13 years;
- Implementing controls on the intensity of industrially zoned developments and require payment of a housing mitigation fee for developments approved by Use Permit to exceed 35% floor area ratio (FAR);
- Allowing higher density housing in transit rich areas such as Downtown and Lawrence Station;
- Allowing the development of accessory living units on single-family and duplex properties of minimum size;
- Allowing housing in all zoning districts;
- Preserving the mobile home parks by creating a Mobile Home Park General Plan designation (previously, most mobile home parks had an underlying industrial general plan designation);
- Requiring inclusionary affordable dwelling units (Below Market Rate);
- Requiring housing mitigation fees for net new non-residential development regardless of zoning district;
- In compliance with State requirements, removing barriers to obtaining approvals for new residential development;

Sunnyvale's very successful Below Market Rate (BMR) housing programs have resulted in the development of over 1,300 BMR units (rental and ownership). The City of Sunnyvale has awarded millions of dollars to leverage affordable housing units built by non-profit housing partners. For example, in November 2018, Sunnyvale approved a development agreement for 90 all affordable units on City-owned land with at least 25% of units dedicated to the developmentally disabled. Local achievements like this are ignored by the CASA Compact. The local creativity it takes to deliver a complex project like this would be lost with a one size fits all regional housing program.

The City of Sunnyvale is a community of about 59,000 housing units with a General Plan land use build out of 72,460 units. There are currently over 4,000 units in the development pipeline (under construction, approved and pending) and the City is studying the addition of over 6,000 dwelling units to area land-use plans. The CASA Compact, as proposed, fails to recognize cities like Sunnyvale who have worked aggressively to meet affordable housing goals.

The City of Sunnyvale is mindful that the need is great and that all cities and counties must continuously find new solutions that contribute to addressing our region's housing needs. Please do not support the proposed CASA Compact that diverts or strips local revenues and penalizes cities who are diligently and successfully addressing housing production and affordability. We urge you to engage with cities in the region to develop a housing proposal that most in the region could support.

In summary, the City of Sunnyvale does not support the proposed CASA Compact and I urge you to vote no to support this proposal. If you wish to discuss further, please do not hesitate to contact me.

Sincerely,



Glenn Hendricks
Mayor, City of Sunnyvale

cc: Honorable Jerry Hill, State Senate
Honorable Mark Berman, State Assembly
Honorable Jeanie Bruins, Metropolitan Transportation Commission
Honorable Dave Cortese, Santa Clara County Board of Supervisors
Honorable Joseph Simitian, Santa Clara County Board of Supervisors
Honorable Cindy Chavez, Santa Clara County Board of Supervisors
Honorable Susan Ellenberg, Supervisor-elect, Santa Clara County Board of Supervisors
Sunnyvale City Council
Kent Steffens, City Manager
Cities Association of Santa Clara County



CITY MANAGER'S OFFICE

CITY HALL
10300 TORRE AVENUE • CUPERTINO, CA 95014-3255
TELEPHONE: (408) 777-3223 • FAX: (408) 777-3366
CUPERTINO.ORG

December 11, 2018

Via Electronic and Regular Mail

Jeannie Bruins
City of Los Altos
1 North San Antonio Road
Los Altos, CA 94022

SUBJECT: CASA Compact

Dear Ms. Bruins:

Following adoption of the Bay Area's Sustainable Communities Strategy (SCS), Plan Bay Area, in 2013 (updated in 2017), CASA – the Committee to House the Bay Area (CASA), was convened by the Metropolitan Transportation Commission (MTC), the Bay Area's Regional Transportation Agency to identify innovative methods to meet the housing targets in the Plan. CASA's key principles include (1) increasing housing production at all levels of affordability, (2) preserving existing affordable housing, and (3) protecting vulnerable populations from housing instability and displacement.

From Summer 2017 through Fall 2018 CASA developed a suite of legislative, financial, policy and regulatory recommendations that together form a Regional Housing Implementation Strategy for presentation at state and regional levels. This has been presented to the Bay Area Regional Collaborative (BARC) on November 8, 2018 and the ABAG Executive Board on November 15, 2018 to solicit support on the proposed strategies together called the CASA Compact. It is expected that the Draft Term Sheets will be presented to the MTC Executive Board on December 17, 2018.

Based on comments from the Executive Director of the MTC at the ABAG Executive Board meeting, it is anticipated that the CASA Compact will be forwarded to state legislators for their consideration for implementation without the scope of many (or any) edits by the ABAG or MTC Executive Boards and regardless of the outcome of their voting. Mr. Heminger explained that CASA was not established with the intent of requiring Board Approval on its work product. He also indicated that state legislators

have been closely monitoring CASA's progress and regardless of support or opposition from ABAG and MTC will likely forward many of the recommendations for consideration at the state level. The CASA Compact essentially provides support to existing and future legislative work and intent.

Several members of the ABAG Executive Board expressed concerns about several terms in the Compact at its November 15, 2018 meeting, particularly the proposed changes to regulations that preempt local control over land use matters, including the upzoning along transportation corridors and a "one-size-fits-all" strategy for development. Several concerns were raised about the lack of outreach with smaller jurisdictions and broader participation in the preparation of the Draft Term Sheets. MTC staff indicated that given the schedule, there is no time for the outreach suggested by the Board. However, the ABAG Executive Board recommended a workshop to allow local jurisdictions to provide their input, possibly at a future board meeting. No vote was taken on the Compact at the November meeting.

A preliminary evaluation of the CASA Compact Draft Term Sheets raises the following concerns:

1. *Minimal outreach to local governments* – Local government representation in CASA is limited to the three largest cities in the region and three local jurisdictions (out of over 100 local agencies). Consensus on the CASA Compact has been built around builders, non-profit agencies, labor unions etc. However, most of the affected agencies have not been consulted on the Compact or its elements. It should be noted that many of the action items would impact all local agencies in California including those that may not have finances or staffing to implement the mandates;
2. *Preemption of local control over zoning regulations, inclusionary requirements and design review* – Aggressive density, height, open space and setback standards, suspension of inclusionary requirements if adequate housing not constructed, requiring jurisdictions to grant waivers/reductions to inclusionary requirements. Additionally, local jurisdictions ability to conduct design review would be severely limited to objective standards including disallowing any reductions in established height allowances for architectural articulation;
3. *Freezing fees, community benefits etc. at time of application for 100% affordable projects and at time of completeness for other projects* – While fees in Cupertino are generally frozen to time of completeness, like many other cities, community benefits are generally negotiated through project review and finalized at application approval by the City Council. This would limit cities ability to negotiate community

benefits. All community benefits would have to be established prior to any proposed development;

4. *Overreach in land use regulations by the Regional Transportation Commission* – In addition to a statutory housing overlay near transit, MTC is proposing to establish a new index to evaluate areas based on 5-factors identified by MTC which would allow implementation of state mandated zoning regulations for density, open space, height and parking well beyond the transit focus areas;
5. *Added fiscal pressures on local government due to statutory streamlining requirements and tax relief measures* – Statutory streamlining deadlines (similar to existing SB 35 timelines) by project size could require local agencies to incur expenses to hire additional staff to ensure timely project review. However, a potential 15-year tax relief could impact the General Fund further burdening local agencies. In addition, local agencies would be restricted from charging existing fees if erroneously not identified during the entitlement phase of project;
6. *Suspension of inclusionary requirements* – the legislative agenda proposes a suspension of inclusionary requirements in the event that a finding that inclusionary requirements are not thwarting housing development cannot be made within the first 30 calendar days of the day. Construction of housing cannot be guaranteed by cities upon project approval. For e.g., in Cupertino, 788 residential units were permitted in 2016, however, no building permits have been submitted and construction has not commenced on these projects.
7. *Establishment of a Regional Housing Entity (RHE) that determines disbursement of funds* – this is a concern particularly if a smaller jurisdiction generates much of the revenue. E.g. a gross receipts tax in Cupertino could generate substantial revenue, but only a small portion of that can be expected to be allocated to the City;
8. *Appropriation of local finances* – Cupertino, like several other cities in the region, already has a commercial linkage fee. With establishment of the RHE, it appears that this would be appropriated;
9. *Governmental structure of the RHE* – the proposed structure of the RHE is expected to be similar to the MTC structure. If this is heavily weighted toward the interests of bigger cities in the region, very little of the funds generated by smaller cities can be expected to be allocated back to the cities of origin;
10. *Concerns about use of local agency funds* – Concern raised by one of the ABAG Board members. Require cities to fund legal representation in the event of all kinds of evictions – including just evictions such as not having paid rent.

Cupertino looks forward to a dialogue with ABAG and MTC on formulating strategies to produce, preserve and protect affordable housing. However, the current CASA Compact has several items of concern that need to be restructured or stricken, regardless of whether these are proposed by other state legislators or not. As Cupertino's MTC representative, we hope that you will present our concerns to the MTC Executive Board and encourage broader outreach with local agencies by CASA and MTC staff.

Sincerely,

A handwritten signature in blue ink, appearing to read "Amy Chan", written over the printed name.

Amy Chan

Interim City Manager

Enclosures: Attachment A – Draft CASA Term Sheets



City of Santa Clara

The Center of What's Possible

Mayor

Lisa M. Gillmor

Councilmembers

Raj Chahal
Debi Davis
Karen Hardy
Patricia M. Mahan
Teresa O'Neill
Kathy Watanabe

December 17, 2018

Ms. Andi Jordan
Executive Director, Cities Association of Santa Clara County
P.O. Box 3144
Los Altos, CA 94024

Re: CASA Compact Response

Dear Ms. Jordan:

The Cities Association Executive Board is meeting on Monday, December 17, at 4 p.m. to discuss the Committee to House the Bay Area (CASA) Compact. Several cities have taken individual action and we understand the Executive Board will be considering whether to take a position (or not) at the Board Meeting. The purpose of this letter is to share the City of Santa Clara's position on this matter.

The City of Santa Clara supports CASA's key principles of: (1) increasing housing production at all levels of affordability, (2) preserving existing affordable housing, and (3) protecting vulnerable populations from housing instability and displacement. However, the City is concerned that the Draft Term Sheets, which outline the suite of legislative, financial, policy and regulatory recommendations will be forwarded to state legislators for consideration and implementation without the scope of many edits by the ABAG or MTC Executive Boards, regardless of their voting outcome.

The City of Santa Clara shares many of the same concerns raised by several members of the ABAG Executive Board, particularly the lack of outreach with smaller jurisdictions and the need for broader participation in the preparation of the Draft Term Sheets. Local government representation in CASA is limited to the three largest cities in the region and three local jurisdictions (out of over 100 local agencies), while most of the affected agencies have not been consulted on the CASA Compact or its elements. Many of the action items would impact all local agencies in California, including those that may not have finances or staffing to implement the mandates.

Andi Jordan, Executive Director, Cities Association of Santa Clara County

Re: CASA Compact Response

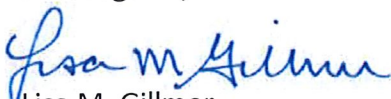
December 17, 2018

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Additionally, there is significant uncertainty and concern - particularly amongst smaller jurisdictions - regarding the appropriation of local finances and the structure of a Regional Housing Entity (RHE), which would ultimately determine the disbursement of local finances. The proposed structure of the RHE is expected to be similar to the MTC structure and could be heavily weighted toward the interests of bigger cities in the region, while very little of the funds generated by smaller cities are expected to be allocated back to the cities of origin. The CASA Compact proposes 75% of the funds collected would be spent in the county of origin, which provides no guarantee that a single affordable housing unit would be produced in the City of Santa Clara. Furthermore, the CASA Compact contains few, if any, details about how funding decisions would be made.

The City of Santa Clara requests that the Cities Association of Santa Clara County advocate for more dialogue with ABAG and MTC on formulating strategies to produce, preserve, and protect affordable housing. The current CASA Compact has several items of concern that need to be restructured or eliminated through collaboration with local jurisdictions, regardless of whether these are proposed by other state legislators or not. We are hopeful these concerns will reach the MTC Executive Board and result in broader outreach and communication with local agencies by CASA and MTC staff. If these concerns cannot be addressed, then the City of Santa Clara cannot support the CASA Compact.

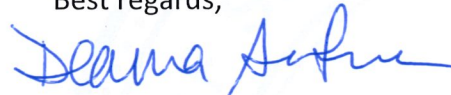
Best regards,



Lisa M. Gillmor

Mayor

Best regards,



Deanna J. Santana

City Manager



1 North San Antonio Road
Los Altos, California 94022-3087

SENT VIA EMAIL

December 17, 2018

Mr. Jake Mackenzie, Chairperson: blumacjazz@aol.com
Metropolitan Transportation Commission
Bay Area Metro Center
375 Beale Street, Suite 800
San Francisco, CA 94105-2066

Re: CASA Compact

Dear Chairman Mackenzie,

The City Council of Los Altos respects the work of the Steering and Technical Committees to develop the CASA Compact. Sadly, the efforts of housing experts, advocates and other interests who have worked diligently have failed to include input from cities that comprise more than two-thirds of the Bay Area population. As a consequence, the Compact contains funding mechanisms that are not feasible and changes local land-use authority that are counter-productive and unacceptable. The proposals ignore the diversity and unique circumstances that need to be addressed by each city.

To that end, we ask that you vote 'no' until input from the cities, and their recommended modifications, can be incorporated into the Compact.

It is apparent that the CASA Compact includes funding strategies that are not feasible. The proposal suggests that \$1.5 billion annually could be derived from a variety of sources, several of which are new voter-approved taxes. Santa Clara County recently voted to increase property taxes for this purpose (Measure A).

Among the problematic proposals are those that would divert property tax reviews from cities to a central fund, with a new and costly administrative bureaucracy not subject to voter control, and with no guarantee that the funds would have the intended benefits. There will be predictable and negative effects that would place unacceptable burdens on our residents and adversely affect city services.

- In Los Altos, 65% of our revenues are derived from property taxes. Diverting a portion of these needed revenues to a region-wide housing effort would adversely impact our ability to deliver essential public safety and other municipal services.

- Los Altos has only 4% of its land devoted to commercial development. Yet our seven small commercial areas contribute to "...maintaining a balance of land uses [that] ensure fiscal stability and also create a desirable community in which people can reside, work, shop, and recreate." (General Plan, Land-Use Element) State mandates already are resulting in the replacement of this meager commercial development with multi-family housing. The consequence of further conversion will be greater and unwise reliance on property taxes (with a portion taken by the proposals in the Compact), displacement of local jobs, greater commutes, and more vehicle use for shopping and services.
- The Compact also discusses tax abatement as a means to incentivize housing development. As with the diversion of property taxes, the Compact is not clear as to which taxing districts would be impacted – cities, counties, school districts, etc. Under any scenario, such an effort requires current residents to subsidize needed services such as police, fire, and possibly schools, for the new residents, just to ensure that developers adequately profit from their housing AND commercial projects elsewhere in the region. We believe proposals such as this require significantly more review and vetting by local agencies to fully understand the impacts before being adopted.
- It is uncertain how proposals regarding housing along transit corridors will affect current residential development. Although we agree that some housing is best located in these areas, we cannot support such a proposal until we understand how to mitigate the negative impacts on adjacent, fully developed residential neighborhoods and on city services that would result from such development.
- The Compact overstates the benefits of transit-oriented development and the ability of transit systems to truly accommodate the increased density advocated in the Compact. There is no evidence and little optimism that hoped-for diversion of new residents to transit will occur.
- There are carve-out exceptions for innovative projects and approaches that various cities have already implemented. Yet the Compact mandates a tops-down, one-size-fits-all set of "solutions" that would stifle such innovations in the future. This is contrary to the goal of providing more housing.

Many cities are taking such innovative actions and are responding to recent legislation. In Los Altos, a city that is fully built out and projected by LAFCO to grow less than 0.4% per year, we have:

1. Increased the required amount of inclusionary housing in multi-family developments;
2. Allowed accessory dwelling units in single-family zones without regard to the size of the property;
3. Enacted a local density bonus law to provide a simpler path for developments that include below market rate housing;
4. Approved projects (with more in the pipeline) that convert existing commercial parcels to inclusionary multi-family housing;
5. Instituted an affordable housing impact fee and a commercial linkage fee that the City can use to assist in the future development of needed affordable housing; and

6. Agreed to join other cities in Santa Clara County to review the possibility of forming a RHNA sub-region in an effort to work collaboratively with our neighboring cities to achieve our collective housing goals in a cooperative fashion that respects the various circumstances unique to each city.

We appreciate the efforts of MTC and ABAG to convene the CASA committees and develop these recommendations, but until we have a more thorough review of each of the proposals, a more robust dialog among all the cities in the region, and proposals that allow cities to retain control of their own jurisdictions, we ask MTC to join us in not supporting the CASA Compact.

Sincerely,



Lynette Lee Eng
Mayor

- c: Los Altos City Council: council@losaltosca.gov
Chris Jordan, City Manager: cjordan@losaltosca.gov
MTC Commissioners: rleyva@bayareametro.gov
CASA Co-Chairs: casa@bayareametro.gov
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Honorable Mark Berman, State Assembly: mark.berman@asm.ca.gov; ellen.kamei@asm.ca.gov
Honorable Jeannie Bruins, Metropolitan Transportation Commission: jbruins@losaltosca.gov
Honorable Joseph Similtian, Santa Clara County Board of Supervisors:
supervisor.simitian@bos.sccgov.org
Seth Miller, California League of Cities: smiller@cacities.org