



IDEAS + ACTION FOR A BETTER CITY

a member-supported nonprofit organization

San José and California November 2018 Voter Guide

Ballot analysis and recommendations.

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SPUR provides analysis and recommendations on state and local ballot measures for the November 6, 2018, San Jose election.

For San Jose local measures, SPUR's San Jose Board of Directors reviewed and debated the merits of select local measures and voted, with a 60 percent vote required for SPUR to make a recommendation.

For California state propositions, SPUR's regional decision-making body, the SPUR Executive Board, reviewed and debated the merits of select state measures and voted, with a 60 percent vote required for SPUR to make a recommendation.

Staff

Teresa Alvarado, Kristy Wang, Karen Steen, Alicia John-Baptiste, Arielle Fleisher, Gabriel Metcalf, Adhi Nagraj, Laura Tam

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Prop 1

Affordable and Veterans' Housing Bond

BOND

Authorizes Bonds to Fund Housing

Authorizes the state to issue \$4 billion in general obligation bonds to support affordable housing.

Vote YES



What the Measure Would Do

California Proposition 1 would authorize the state to issue \$4 billion in general obligation bonds to support affordable housing. Under this measure, \$3 billion of the bonds would go to fund existing state affordable housing programs, and \$1 billion would go to an existing program that assists veterans with purchasing farms, homes and mobile homes.

The funds would be distributed as follows:

- \$1.5 billion to the Multifamily Housing Program for the construction, rehabilitation and preservation of multifamily homes for households with incomes under 60 percent of their area median income
- \$150 million to the Transit-Oriented Development Implementation Program, which provides low-interest loans to high-density development near transit
- \$300 million to the Infill Incentive Grant Program, which funds new construction and rehabilitation of infrastructure that supports higher-density affordable and mixed-income housing in infill locations (empty or underused sites in existing neighborhoods)
- \$150 million to the California Housing Finance Agency's homebuyer assistance programs for low- and moderate-income homebuyers
- \$300 million to the Joe Serna, Jr. Farmworker Housing Grant Program to assist with the construction or rehabilitation of housing for agricultural employees and families
- \$300 million to the Local Housing Trust Matching Grant Program
- \$300 million to the CalHome Program to provide grants to local public agencies and nonprofit developers to assist multifamily homeownership projects through deferred-payment loans
- \$1 billion to the CalVet Home Loan Program, which provides loans to veterans for the purchase

of single-family homes, farms, units in cooperative developments and mobile homes

The Backstory

Prop. 1 takes Senate Bill 3 to the voters for approval. SB 3 was authored by Senator Jim Beall during the 2017–18 legislative session and enjoyed widespread support. This measure was a key funding component of the state housing package that was passed last fall. The bond was originally in the amount of \$3 billion, but negotiations among Democratic leaders at the last minute led to a \$1 billion increase to fund veterans' housing programs.

This state general obligation bond measure needs a simple majority (50 percent plus one vote) to pass.

Pros

- The state has an affordable housing crisis that cannot be addressed without significant public investments to bring down housing costs for low- and moderate-income households. This bond is one piece of the solution.
- The funding would be distributed through existing programs that have a successful track record of making housing more affordable for California residents.
- The Bay Area has one of the worst housing shortages in the state, and the multifamily, infill infrastructure and transit-oriented development programs funded by Prop. 1 are likely to benefit this region, among others.

Cons

- SPUR has not identified any points that we believe to be true cons of this measure.

SPUR's Recommendation

The scale of California's housing shortage and the vast need for affordable housing in particular are pressing issues today, and serious investment in the creation and preservation of affordable housing is urgently needed. This bond measure is one important way to make housing more affordable to residents across California, whether through new construction, preservation or homebuyer assistance. Funds would be distributed through programs that are already up and running and that prioritize affordable and environmentally sustainable housing for California's future.

Vote YES on CA Prop 1 - Affordable and Veterans' Housing Bond



Prop 2 Funds for Supportive Housing

STATUTE

Authorizes Bonds to Fund Existing Housing Program for Individuals With Mental Illness

Authorizes the state to issue \$2 billion in revenue bonds for the construction of permanent supportive housing for people living with severe mental illness who are homeless or are at risk of becoming homeless.

Vote YES



What the Measure Would Do

California Proposition 2 would ratify the provisions of an existing law, the No Place Like Home Act of 2016, and would issue \$2 billion in bonds to finance permanent supportive housing. In response to a lawsuit over the 2016 statute, this measure would confirm that California voters believe affordable housing is key to stabilization and recovery from mental illness. This measure would direct some funding from the Mental Health Services Fund to be spent on creating housing for individuals living with severe mental illness who are homeless or at risk of chronic homelessness.

If passed, Prop. 2 could be amended by a two-thirds vote of the state legislature as long as the amendments further the intent of this measure.

The Backstory

In 2004, the voters approved Prop. 63, the Mental Health Services Act, which created a 1 percent tax on incomes over \$1 million in order to fund county mental health programs.

In 2016, the legislature passed the No Place Like Home Act, which, among other things, dedicated \$2 billion from Prop. 63 toward the acquisition, design, construction, rehabilitation and preservation of permanent supportive housing for people suffering from mental illness.

Overwhelming evidence shows that stable permanent housing is a necessary foundation before anyone can resolve health issues, pursue personal goals or improve their quality of life.¹ Permanent supportive housing is highly effective at targeting the most vulnerable populations, including those suffering from mental illness. It includes wraparound supportive services that promote residents' recovery and maximize their independence.

While the No Place Like Home Act of 2016 successfully passed the state legislature two years ago, a lawsuit has held up the state's ability to issue these bonds or to direct Prop. 63 dollars toward the creation of housing. The lawsuit is being funded by two mental health advocates who argue that the voters intended for Prop. 63 funding to go to the treatment of people with severe mental illness, not to housing. They have also expressed concerns that this housing might serve people who do not suffer from mental illness.

The lawsuit is scheduled to be heard this year (it is unlikely to be resolved before the election), but in the meantime, the state legislature decided to put Prop. 2 on the November ballot to confirm the voters' agreement that the creation of housing for people with severe mental illness who are also homeless is in line with the intent of the Mental Health Services Act.

Apart from the plaintiffs in the lawsuit, there appears to be little opposition to this measure. The original legislative author of Prop. 63 supports Prop. 2.

This measure requires a simple majority (50 percent plus one vote) to pass.

Pros

- Prop. 2 would support the creation of supportive housing, which has been proven to help keep people with mental illness stably housed. The permanent supportive housing model includes both housing and services to residents.
- Prop. 2 would help address the state's homelessness challenges. More than 130,000 people are estimated to be experiencing homelessness in California, and many of them, especially those people who are considered to be chronically homeless, struggle with mental illness.
- The essence of Prop. 2 has already been passed by a majority of our elected state representatives.

Cons

- SPUR has not identified any points that we believe to be true cons of this measure.

SPUR's Recommendation

SPUR believes that part of the effective long-term treatment of people with mental illness is keeping them stably housed. By creating more permanent supportive housing, Prop. 2 would directly help the people originally intended to be served by the Mental Health Services Act. It would also aid in current efforts to address the statewide homelessness crisis.

Vote YES on CA Prop 2 - Funds for Supportive Housing



FOOTNOTES

¹ Stefan G. Kertesz, Travis P. Bagget, James J. O'Connell, David S. Buck and Margot B. Kushel, "Per-manent Supportive Housing for Homeless People – Reframing the Debate," *New England Journal of Medicine*, December 1, 2016.

Prop 3 Water Bond

BOND

Authorizes Bonds to Fund Water Supply Projects

Authorizes the state to issue \$8.9 billion in general obligation bonds for water supply, environmental and infrastructure investments.

Vote YES



What the Measure Would Do

California Proposition 3 would authorize the state to issue \$8.87 billion in general obligation bonds for water supply, conservation, infrastructure and environmental improvement projects all over the state. More specifically, it would fund safe drinking water, the implementation of the Sustainable Groundwater Management Act, watershed and wetland restoration, habitat conservation, urban and agricultural water conservation and stormwater management.

Prop. 3 would dedicate funding to numerous state agencies, including the California Natural Resources Agency, the Coastal Conservancy, the Department of Water Resources and the University of California. The state resources agency would be responsible for regular public reporting and independent audits.

The Backstory

Prop. 3 is intended to complement other state water and parks bond funds that have passed recently, including Prop. 68, which passed in June of this year, and Prop. 1, which passed in 2014. It would fund many elements of Governor Brown's 2013 Water Action Plan, which aims to increase the resiliency of California's water system and strengthen the ability of California communities to cope with drought conditions.

This measure was put on the ballot by a signature campaign. It was written and sponsored by the director of the Natural Heritage Institute's California Water Program (who was formerly the deputy secretary of the resources agency). Prop. 3's proponents had originally tried to get some of its biggest-ticket items — including safe drinking water, dam safety and fixing ground subsidence in the Central Valley — included in Prop. 68. But the legislature's negotiations around Prop. 68 resulted in a smaller bond dedicated partially to water infrastructure and partially to parks. Proponents then collected signatures to place this larger bond on the ballot.

As a state general obligation bond, this measure needs a simple majority (50 percent plus one vote) to pass.

Pros

- This measure would provide significant funding for water infrastructure and reliability in California at a time when the state is drought-stressed and when local governments need additional resources to support implementation of new policies like the 2014 Sustainable Groundwater Management Act.
- This measure would support better equity in California's water system by providing \$750 million for safe drinking water and wastewater treatment for disadvantaged communities and by waiving matching fund requirements in disadvantaged communities.
- This measure would accelerate restoration of the natural environment, such as wetlands in San Francisco Bay, to support ecological resilience to climate change. For example, Prop. 3 includes \$200 million for the Bay, complementing the \$500 million over 20 years raised through 2016's Measure AA, the nine-county parcel tax passed by voters in June 2016 for Bay restoration.
- This measure could increase California's available water supply by more than 1.5 million acre-feet, enough to supply 3 million homes, by investing in water conservation and recycling, watershed restoration and land management for water yield.

Cons

- This measure did not go through the normal legislative process and is not the byproduct of consensus among elected officials. Therefore, it may contain provisions that support special interests based on their involvement with the measure, rather than supporting the public interest.

- This is a very large bond that would add to the indebtedness of the General Fund by \$400 million

annually, which could result in other programs being cut to pay for this debt.

SPUR's Recommendation

Bonds are one of the main ways the state can invest in water infrastructure, and our recent drought has shown the need for significant investment. Although we just passed Prop. 68 earlier this year, these two measures are complementary and fund different aspects of the state's water needs. Prop. 3 would directly benefit the Bay Area through funding for water recycling, conservation and San Francisco Bay restoration — which is critically important to do now before sea levels rise or our next long-term drought settles in.

Vote YES on CA Prop 3 - Water Bond



Prop 6 Gas Tax Repeal

CONSTITUTIONAL AMENDMENT

Eliminates Road Repair and Transportation Funding

Repeals Senate Bill 1, the state transportation funding bill (commonly referred to as the “gas tax”), and requires voter approval for any future imposition, extension or increase in gas and car taxes.

Vote NO



What the Measure Would Do

California Proposition 6 would repeal Senate Bill 1, the 2017 transportation funding bill that raised gas taxes in order to pay for road repairs and transportation improvements. If this measure passes, SB 1's \$5 billion per year funding would cease at the end of the current fiscal year. Projects that haven't yet begun construction would have to be canceled, scaled down or delayed indefinitely. Prop. 6 would also require voter approval for any future imposition, extension or increase in gas and vehicle taxes. This means that not only would Prop. 6 eliminate funding for critical projects, it would make it dramatically more difficult to enact fuel and vehicle-related taxes, potentially resulting in less revenue for transportation infrastructure in the future. Some have called it the Prop. 13 of California transportation.

The Backstory

After nearly two years of debate, the California State Legislature passed SB 1 in April of 2017. SB 1 raised the gas tax by 12 cents per gallon, raised the diesel fuel tax by 20 cents per gallon, added a \$100 “road improvement fee” for zero-emission vehicles and raised annual registration fees on other vehicles by \$25 to \$175 depending on a vehicle's value. The gas taxes went into effect on November 1, 2017, and the registration fees on January 1, 2018; the fee for zero-emission vehicles and other vehicles will go into effect in July 2020.

SB 1 raises \$5.2 billion annually in perpetuity. The bill pegs its funding sources to the Consumer Price Index, which means its taxes and fees won't lose value every year. The vast majority of the funds — \$3.7 billion — are devoted to roadway maintenance and some “complete streets” improvements that will support active transportation projects. Public transit receives \$750 million of the annual total, and bicycle and pedestrian projects are also eligible for funding. So far, 6,000 projects throughout the state have received SB 1 funds.

Over the next 10 years, SB 1 is projected to provide more than \$3.5 billion in funding to cities and counties in the Bay Area. The BART extension to downtown San Jose, new hybrid diesel-electric buses for AC Transit, express bus routes along Highway 101 and a fare discount for low-income transit riders are all examples of projects at risk of being defunded if Prop. 6 passes and SB 1 is repealed.

Those opposed to SB 1 argue that the taxes and fees create hardships for working-class families and are unnecessary. Some opponents contend that the money raised could be diverted away from road repairs to non-transportation-related projects. However, in June 2018, California voters passed a constitutional amendment requiring SB 1 money — and all other fuel taxes — to be spent on transportation.

The repeal effort began within days after SB 1 passed the state legislature. Prop. 6 was proposed by members of California's Republican congressional delegation and by Republican gubernatorial candidate John Cox. Reportedly, the state Republican Party and the national Republican Party see Prop. 6 as a means to turn out Republican voters in the November election and limit Democratic efforts to gain congressional seats.

Governor Jerry Brown, the California Chamber of Commerce, California Professional Firefighters, the California Association of Highway Patrolmen, the League of Women Voters of California, the League of California Cities, cities, labor unions, environmental groups and many others oppose Prop. 6.

This state constitutional amendment needs a simple majority (50 percent plus one vote) to pass.

Pros

- If SB 1 is repealed, Californians would pay lower taxes and fewer fees. A family of four could expect to save more than \$500 a year.

Cons

- SB 1 was a monumental win for California and the Bay Area. The repeal would threaten road improvement and maintenance projects throughout the state. The Bay Area alone stands to lose \$3.6 billion should Prop. 6 pass.
- Two decades without a gas tax increase has created a \$130 billion backlog in necessary repairs and improvements. Repealing SB 1 would bring a halt to much-needed repairs to our crumbling roads and aging bridges.
- SB 1 gives cities a reliable funding stream for road maintenance. Repealing SB 1 would force cities once again to focus local and regional funding measures on shoring up existing roads and transit instead of building a world-class regional transportation system.
- SB 1 will support nearly \$183 billion in increased economic activity and benefits for California residents. Prop. 6 would eliminate more than 68,000 well-paying jobs fixing our roads that otherwise would be created over the next decade. Nearly every aspect of the California economy relies on having usable roads.
- Requiring the legislature to obtain voter approval of new or increased vehicle-related taxes and fees would make it harder to raise revenues for transportation infrastructure than it's ever been. The impact on California's roads and transit services would be broad and long-lasting.

SPUR's Recommendation

SPUR has long advocated for a stable source of funding for transportation improvements, and we support funding transportation with transportation-related user fees. SB 1 achieved both of these aims. It was the culmination of years of compromise and dialogue among hundreds of different interests; it's a solution at the scale of thinking that actually solves problems. The state's roads and transit systems need to be in good shape to support the world's fifth-largest economy, control greenhouse gas emissions and maintain quality of life. SB 1 is an overdue investment in transportation. If Prop. 6 passes, there would be no other source of revenue on the horizon. Much like the effect of 1978's Prop. 13, the detrimental impacts of Prop. 6 could last for decades.

Vote NO on CA Prop 6 - Gas Tax Repeal



Prop 10

Repeal of Rent Control Rules

INITIATIVE STATUTE

Expands Local Authority to Enact Rent Control

Repeals the 1995 Costa-Hawkins Rental Housing Act, which placed restrictions on how rent control ordinances can be enacted at the local level.

Vote NO



What the Measure Would Do

California Proposition 10 would repeal the 1995 Costa-Hawkins Rental Housing Act,¹ a state law that restricts local rent control laws. Cities use rent control to regulate the rent, or the increases in rent, that landlords can charge. According to the Turner Center for Housing Innovation, 15 of California's 482 jurisdictions currently have some form of rent control, which covers 25 percent of the state's rental units.

California cities currently have the ability to pass rent control ordinances. The Costa-Hawkins Act restricts those laws in the following ways:

- Exempts from rent control all housing units built after February 1, 1995, as well as all single-family homes and all condominiums.
- For cities that had rent control ordinances when Costa-Hawkins passed, retains their existing exemption dates instead of 1995. For example, the only units in San Francisco and San Jose that can fall under rent control are those that were built prior to 1979, when those cities passed rent control ordinances; in Oakland, the threshold year is 1983.
- Prohibits cities from controlling rent levels upon turnover of a unit (known as "vacancy control"). When a tenant moves out of a rent-controlled unit, the city must allow the landlord to re-rent it at market rate.

Prop. 10 would remove these provisions from the state code and let cities impose any kind of rent control they choose.

In order to comply with previous state court rulings, Prop. 10 contains language that says cities and counties could not limit a landlord's right to a fair rate of return on property. What exactly this would mean in practice is not yet clear.

This measure could be amended by the state legislature with a two-thirds vote if the amendments further the purposes of Prop. 10. Reinstating any portion of Costa-

Hawkins would require going back to the voters for a majority vote.

The Backstory

The Costa-Hawkins Rental Housing Act was originally passed by the California State Legislature in 1995 in response to strong rent control ordinances that several cities (Berkeley, East Palo Alto, West Hollywood, Santa Monica and Cotati) passed in the 1980s. Municipalities can still pass local rent control laws under Costa-Hawkins; the 1995 law was intended to protect the production of housing by exempting new construction from rent control and to protect landlords' right to set rents upon the turnover of units. If not regulated, these factors can raise overall housing costs across a city. (See SPUR's Recommendation, below, for more on the relationship between rent control and overall housing costs.)

Tenant activists have wanted to repeal the Costa-Hawkins Act since it passed. There have been many attempts through the state legislature to amend or repeal the law over the years. Most recently, legislators in 2017 introduced Assembly Bill 1506, which would have repealed Costa-Hawkins. AB 1506 was not heard in 2017. While it did get a hearing in 2018, it did not pass out of committee. Tenant activists collected nearly 600,000 signatures to qualify Prop. 10 for the ballot instead.

There were several last-ditch attempts to negotiate compromises that would amend, rather than repeal, Costa-Hawkins through the state legislative process, but no agreement was reached.² Thus, Prop. 10 represents a full repeal.

This measure needs a simple majority (50 percent plus one vote) to pass.

Pros

- California's affordable housing shortage is a pressing crisis and deserves immediate action. In cities that decide to impose or expand rent control ordinances, Prop. 10 would allow many more units to be rent-controlled, which could have immediate benefits for those tenants.

- Costa-Hawkins set an arbitrary and static threshold date for exemption from rent control. This means cities with rent control can only see their stock of rent-controlled units go down, never up, over time. Allowing cities to set rolling exemption dates could bring additional housing units under rent control after a carefully considered time past their construction.

Cons

- Allowing cities to apply rent control to new buildings could lead to a reduction in the amount of new rental housing produced in the future. Banks, pension funds

and other sources of investment to build housing could face a climate of uncertainty about future rents and policies, making it unlikely that they would choose to invest significant capital in building rental housing in California. (See SPUR's Recommendation, below, for more.) It is important for the state to provide some parameters so that cities do not — inadvertently or otherwise — inhibit the construction of new rental housing. Costa-Hawkins may be imperfect, but it provides a few safeguards.

- Allowing vacancy control could increase the number of rental units that are converted to condos. A recent study estimates that rent control caused San Francisco rents to rise by 5.1 percent because many landlords, when faced with the financial limitations of rent control, chose to convert rental units to condos or other owner-occupied housing. Collectively, these individual choices removed 15 percent of the rental stock from the market between 1994 and 2012.³ The reduction in the rental housing stock drove up competition, increasing rents overall.

SPUR's Recommendation

California is experiencing an epic housing crisis, the likes of which the state has never seen. Particularly in coastal cities, we are seeing runaway rents and sale prices, more street homelessness and the displacement of low- and moderate-income people from their communities. Under these circumstances, measures that aim to stop the extraordinary run-up in rental housing prices are important ideas that deserve consideration. But unfortunately Prop. 10 has some very problematic unintended consequences that prevent SPUR from supporting it.

Rent control provides significant benefits to residents who live in rent-controlled units.⁴ In many cases, residents would not be able to remain in their home — or even in their city — if their rent went up to market-rate levels. In addition, by allowing households in rent-controlled units to remain in place, rent control provides greater community stability. However, rent control is an imperfect tool for stabilizing communities because it is not targeted to help low-income households or other disadvantaged populations; the people who benefit most are those who have been in their rental units the longest, not necessarily those who need the most help. Supporting means-based affordable housing programs would be more effective.

Beyond this concern, there are specific ways that Prop. 10 has the potential to exacerbate the very problem it seeks to solve:

Rent control makes housing cost more. Regulating it mitigates the problem.

Prop. 10 has widespread appeal because of its promise to stabilize rents. But unfortunately, removing all regulations on rent control is more likely in the long run to make housing more expensive than it already is.⁵

This is because:

1. With the exception of subsidized affordable housing, which relies on government funding and tax incentives, housing is developed in a market-economy environment. Housing production is highly dependent on capital financing because it costs so much to build, usually in the tens of millions of dollars for multi-unit projects. The institutions making decisions about whether or not to lend money to housing developers (banks, pension funds and other investors) consider whether they can reasonably expect to be paid back for their investment.

When housing units become rent-controlled, the amount of return that these investors can expect goes down because rents can't go up along with operating costs and other factors over time. Depending on the state of each cost variable (construction costs, permits, public benefit fees, etc.), a fixed rate of return may make housing development infeasible. In other words, it will cost more to build a unit than the builder and investor can receive in return. When that happens, less new rental housing gets built.

Further, if certain aspects of rent control laws are not regulated and can be changed at any time, this creates uncertainty for lenders. As a result, those lenders will be even less likely to lend money, and if they do, they will probably charge higher interest rates to mitigate their risk. This has two implications: It can stop housing from being produced, and it can make the resulting housing unit more expensive, because the increased financing cost makes it more expensive to build.

2. Landlords expect to make a return on their rental properties. When new laws cause units to become rent-controlled or limit the rent increase allowed on vacant units, landlords can either choose to take a lower rate of return or take their units off of the rental market by selling them as condos, allowing family members to move in or redeveloping the property. When rental units are taken out of the market, the remaining rental units become more expensive because there are fewer of them relative to all the people who want to rent them.

Unregulated rent control can be used to stop rental housing production altogether.

Because rent control can have the effect of stopping the production of rental units, there is a real risk that some cities could implement it as a way to limit the amount of new housing that is developed. Some cities have seen a similar effect with inclusionary housing, the requirement that developers provide a certain percentage of affordable units within market-rate housing developments. In some cases, the percentage has been set so high that many proposed projects are no longer viable, effectively stopping production of market-rate housing. There is speculation that this is exactly the effect some supporters of the high percentages intended.

The state plays an important role in facilitating housing production.

Many cities don't want to build housing because adding more residents leads to higher costs for providing services. One important revenue source for these services is property taxes, but Prop. 13, passed in 1978, caps property tax increases at 2 percent annually. Meanwhile, the cost to a city of providing services — police, fire, schools, libraries, streets, parks, social services, etc. — often increases at rates substantially above 2 percent per year. As a result, city officials, concerned that new residents can lead to budgetary strain, are sometimes disinclined to approve new housing. In addition, community pressure to keep cities looking and feeling the same as they do today leads some elected officials to oppose housing development that could result in changes to their communities.

Because of this dynamic at the local level, it's important for the state to play a role in facilitating housing development. If cities don't build housing, California's affordability crisis will simply intensify. While imperfect, Costa-Hawkins sets reasonable safeguards to ensure that local rent control rules do not inhibit the creation of new housing.

We are already seeing evidence of how this could play out at the local level: The Berkeley City Council has placed a measure on the November ballot that — if passed along with Prop. 10 — would limit rent increases even when a unit turns over to a new tenant and would allow rent control to be imposed on buildings when they are 20 years old. This could inhibit new construction since it can take longer than 20 years for investors to see their expected returns. If cities all over the state make such decisions, there could be a significant slowing in new construction and even greater competition for the existing housing stock across California.

Addressing housing affordability for everyone requires a different solution.

Today, 30 percent of California households are paying more than 30 percent of their incomes on housing. Rates of homelessness are increasing, and communities are experiencing intense displacement pressure. This is a crisis of immense proportion. We must act to make housing affordable, stabilize our communities and open our cities to residents of all backgrounds and economic means.

SPUR believes that the solution to housing affordability and community stabilization lies in both building massive amounts of new housing for people at all income levels and protecting tenants as we dig ourselves out of our housing shortage.

Unfortunately, the wholesale repeal of Costa-Hawkins would not improve our prospects. While there would undoubtedly be people who would benefit from an expansion of rent control, there would be many more who would be hurt by it. The biggest impact of this measure in the long run would be to exacerbate the housing shortage in California.

Vote NO on CA Prop 10 - Repeal of Rent Control Rules



FOOTNOTES

1 Sections 1954.50, 1954.51, 1954.52 and 1954.53 of Chapter 2.7 of Title 5 of Part 4 of Division 3 of the Civil Code are known as the Costa-Hawkins Rental Housing Act.

2 For examples of potential compromise ideas, see: Turner Center for Housing Innovation "Finding Common Ground on Rent Control: A Turner Center Policy Brief," 2018. Accessed at <http://turnercenter.berkeley.edu/finding-common-ground-rent-control>

3 Rebecca Diamond, Tim McQuade and Franklin Qian. "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco," Stanford University, 2017. Accessed at <https://www.gsb.stanford.edu/faculty-research/working-papers/effects-rent-control-expansion-tenants-landlords-inequality-evidence>

4 Ibid, page 3.

5 Dirk W. Early, "Rent Control, Rental Housing Supply, and the Distribution of Tenant Benefits," *Journal of Urban Economics* 48(2), 2000.

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George Fallis and Lawrence B. Smith, "Uncontrolled Prices in a Controlled Market: The Case of Rent Controls," *American Economic Review* 74(1), 1984.

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Measure T Public Infrastructure Bond

BOND

Disaster Preparedness, Public Safety and Infrastructure Bond

Authorizes the City of San Jose to issue \$650 million in general obligation bonds to upgrade communications and emergency response facilities, prevent flooding and repair bridges, streets and other critical infrastructure.

Vote YES



What the Measure Would Do

Measure T would authorize the City of San Jose to issue \$650 million in general obligation bonds to invest in city infrastructure, including upgrades to emergency and disaster response facilities, flood prevention, water quality protection and the repair of bridges, streets and other critical infrastructure. The funds could be spent on land acquisition, design, construction and construction management. At least \$300 million must be issued for the purpose of repaving streets and potholes in the worst condition.

A non-binding bond allocation plan approved by the city council outlines planned spending more specifically:

- \$300 million to repave and replace streets in the worst condition
- \$175 million to upgrade communications, police, fire and paramedics facilities to improve emergency and disaster response
- \$85 million to prevent flooding, including \$50 million for land acquisition
- \$25 million to protect water quality
- \$20 million to repair deteriorating bridges vulnerable to earthquakes
- \$20 million to replace streetlights and other outdoor lights with LED lighting
- \$13 million to upgrade community facilities and emergency shelters
- \$5 million to repair critical infrastructure

The city estimates that the average tax rate required annually would be \$10.69 per \$100,000 of assessed property value.

The measure provides for oversight and accountability: the city auditor must produce an annual audit of the bonds, the city's finance director must file an annual report with the city council and the city council must appoint a city resident committee to oversee the expenditure of the bonds.

The Backstory

Earlier this year, budget conversations at San Jose City Council brought to light the current lack of resources for maintaining and repairing city infrastructure. Major flooding of Coyote Creek, which resulted in the evacuation of 14,000 San Jose residents in the winter of 2017, also brought attention to the city's emergency and flood protection needs.

The city's deferred maintenance and infrastructure backlog is projected to reach \$1.39 billion in 2018–19. In addition, the city ought to be spending \$112 million annually to maintain existing infrastructure in functional condition. Without sufficient resources, the city has had to defer maintenance, resulting in 550 roads rated in "poor" or "failed" condition, 70 bridges that need repair, including 24 that are vulnerable to earthquakes, and numerous unfulfilled needs across the city's community facilities portfolio. The city also needs to upgrade its emergency and disaster response facilities.

San Jose has not placed a general obligation bond on the ballot since the early 2000s. In 2000 the voters approved a \$212 million library bond and a \$228 million bond for parks and recreation, and in 2002 the voters approved a \$159 million bond for emergency facilities improvements.

This measure was placed on the ballot by a unanimous vote of the San Jose City Council. As a bond measure, it requires two-thirds approval to pass.

Pros

- Funding from this measure will address an infrastructure backlog that must be tackled in order to keep the city running in functional condition and to protect residents on a daily basis, as well as in times of emergency.
- Addressing repairs and improvements before infrastructure fails is a better use of public dollars

than waiting until more costly full replacement is required or dealing with catastrophic failures.

- This measure would provide San Jose with funds to reduce flooding, improve water quality and conserve land.

Cons

- The measure is not sufficiently specific enough about what projects will be funded or prioritized, and the bond allocation plan is not binding.

SPUR's Recommendation

SPUR supports investments in infrastructure that is needed over the long term. This measure will help to address San Jose's \$1.39 billion-and-growing backlog in deferred maintenance and infrastructure needs. Further, the Bay Area is prone to earthquakes, floods and droughts, and it is already being impacted by sea level rise. Through flood prevention efforts, Measure T will help avoid events like the 2017 Coyote Creek flood. This measure will also help improve San Jose's emergency response communications and facilities so that the city can better deal with natural disasters that cannot be avoided. Measure T will provide funding for investments critical to the protection of people, infrastructure and the environment of San Jose.

Vote YES on SJ Measure T - Public Infrastructure Bond



Measure V

Affordable Housing Bond

BOND

Affordable Housing Bond

Authorizes the City of San Jose to issue \$450 million in general obligation bonds to acquire and build affordable housing.

Vote YES



What the Measure Would Do

Measure V would authorize up to \$450 million in general obligation bonds for the purpose of creating housing in San Jose that is affordable for working families, veterans, seniors, teachers, nurses, paramedics and other workers, individuals with disabilities, domestic violence survivors and the homeless.

Of the total \$450 million:

- At least \$150 million must be used to create housing affordable to extremely low-income households earning up to 30 percent of the area median income [1]
- At least \$75 million must be used to create housing affordable to moderate-income households earning between 80 percent and 120 percent of the area median income [2]
- The remaining \$225 million could be allocated to these categories or could be used to serve households of other income levels, including households earning between 30 percent and 80 percent of the area median income

The bond funds could be used to acquire land for the development of housing, to construct new housing and/or to acquire and rehabilitate existing apartments or homes.

The city estimates that the average tax rate required annually would be \$8.15 per \$100,000 of assessed property value.

The measure provides for oversight and accountability: the city auditor must produce an annual audit of the bonds, the city's finance director must file an annual report with the city council and the city council must appoint a city resident committee to oversee the expenditure of the bonds.

The Backstory

Last fall, in recognition of the housing shortage in San Jose and around the region, San Jose Mayor Sam Liccardo released a five-year plan to create 25,000 housing units, of which 10,000 would be affordable. In June, the city followed that up with the release of its annual affordable housing investment plan and a new Housing Crisis Workplan.

The city has estimated that it would need \$548 million to meet the city's goal of 10,000 affordable units. This is in addition to funding anticipated from Santa Clara County's \$950 million general obligation bond for affordable housing in 2016 (Measure A). While San Jose projects can generally compete well for Measure A funding and other state funding programs, there is far more funding needed than there is currently available.

The city anticipates that this bond will be able to produce 3,550 additional affordable housing units, getting the city closer to its 10,000-unit goal. Between this bond and other funding sources, the city projects being able to fund 9,165 affordable units.

The city has not placed a general obligation bond on the ballot since the early 2000s. In 2000 the voters approved a \$212 million library bond and a \$228 million bond for parks and recreation, and in 2002 the voters approved a \$159 million bond for emergency facilities improvements.

This measure was placed on the ballot by a 10-1 vote of the city council. As a bond measure, it requires two-thirds approval to pass.

Pros

- This measure will enable San Jose to support the development of workforce housing for a diverse set of residents, enabling individuals of all income levels — from those experiencing homelessness and those with special needs to working families and people with middle-wage jobs — to remain in San Jose.

- This funding will complement existing programs and be leveraged with funds from federal, state and county programs that often require a local funding match in order for a project to compete.
- Because it is so expensive to acquire and/or subsidize housing in San Jose, this bond would only be able to help a very small number of the people who cannot afford housing there.

Cons

SPUR's Recommendation

San Jose has traditionally been a good actor with regard to approving new housing construction and creating affordable housing for residents of the Bay Area. However, over time the Bay Area as a whole has not produced enough housing to keep up with the demand generated by continued economic growth and a desirable quality of life. As a result, San Jose has not been immune to the regional housing shortage. Home prices and rents have risen sharply, pricing out many low- and middle-income households that have traditionally found San Jose affordable. Homelessness has become an increasingly visible tragedy on the streets, and overcrowding or “doubling up” has become more and more common. Measure V is a key potential funding source that would help to alleviate the housing shortage by enabling the creation of thousands of affordable homes for all kinds of San Jose residents.

Vote YES on SJ Measure V - Affordable Housing Bond



FOOTNOTES

[1] \$27,950 for a single person in a studio with funding from the state of California; \$39,900 for a four-person household in a three-bedroom unit. City of San Jose, “Santa Clara County Income and Rent Limits Based on State HCD Hold Harmless Limits,” <http://www.sanjoseca.gov/index.aspx?NID=3642>.

[2] \$66,150 to \$105,200 for a single person in a studio with funding from the state of California; \$94,450 to \$150,250 for a four-person household in a three-bedroom unit. City of San Jose, “Santa Clara County Income and Rent Limits Based on State HCD Hold Harmless Limits,” <http://www.sanjoseca.gov/index.aspx?NID=3642>.

Mailing Address: SPUR Urban Center, 654 Mission Street, San Francisco, CA 94105-4015 | (415) 781-8726 | info@spur.org

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