

**Metropolitan Transportation Commission
Programming and Allocations Committee**

February 11, 2015

Item Number 4a

Cap and Trade- Affordable Housing and Sustainable Communities Program: Regional Principles

Subject: Update on the Affordable Housing and Sustainable Communities Program and Adoption of Regional Principles for Reviewing Projects.

Background: The Affordable Housing and Sustainable Communities (AHSC) Program will provide grants and loans for affordable housing, infill and compact transit-oriented development, and infrastructure connecting these projects to transit. The Strategic Growth Council (SGC) and Department of Housing and Community Development (HCD) are responsible for the overall administration of the program, including project evaluation and the approval of funding awards. The Budget Act of 2014 appropriates \$130 million from the Greenhouse Gas Reduction Fund (GGRF) for the FY2014-15 AHSC Program, and SB 862 apportions 20 percent of the GGRF's proceeds on an annual basis to the AHSC program beginning in FY2015-16.

The AHSC final guidelines provide metropolitan planning organizations (MPOs) such as MTC with two opportunities to advise project selection. Step 1 includes a review of initial concept applications for support of Sustainable Communities Strategies (SCS) implementation, and Step 2 includes a review of full applications, state and MPO consultation, and project recommendations to the SGC. The role for regional agencies is advisory, meaning that SGC retains the ultimate project selection authority. The following describes the AHSC application process and proposed regional role, provides a set of regional principles (Attachment A) for prioritizing final applications, and includes a summary of SGC's major AHSC eligibility requirements (Attachment B).

Application Process and Regional Role

Concept Proposals

All applicants must submit a required concept proposal to HCD by February 19. Concept proposals must contain project descriptions, funding amounts, and applicant information, describe GHG reduction strategies, and demonstrate SCS consistency and project readiness. MPOs are invited to review the concept proposals' support of SCS implementation. Given the AHSC program timeline provided by SGC, this process must take place between February 19 and early March. MTC and ABAG staff will jointly review concept proposals for support of Plan Bay Area. In general, concept proposals should:

- Increase the affordability and diversity of housing;
- Help further a network of complete communities connected by high-frequency transit; and
- Target investments in Priority Development Areas (PDAs), in keeping with the One Bay Area Grant (OBAG) program.

During this period the State will also perform a review of statutory and programmatic thresholds. On March 11, the State will invite select applicants to submit full applications.

Final Applications

Final applications are due to HCD on April 15. HCD will score the proposals using multiple criteria under three main scoring elements: GHG reduction, feasibility and readiness, and policy objectives. Between April 15 and early May, MTC and ABAG staff will prioritize project applications using the set of principles proposed in

Attachment A. MTC worked with ABAG and CMA staff to develop the regional principles for prioritizing AHSC projects.

Following Commission approval of the project recommendations in May, MTC will submit the recommendations to SGC for their consideration. HCD will release staff award recommendations in mid-June, and SGC will consider and approve staff recommendations for awards in late June.

Assistance on Refining (AHSC) Concept Applications. For concept proposals found to be SCS supportive, MTC and the Congestion Management Agencies (CMAs) may be able to offer assistance to project sponsors to refine initial concept applications into final applications that more fully align with the state scoring criteria and regional principles. Since concept proposals are required to include only preliminary project information, MTC and ABAG's initial finding of a concept application as "SCS-supportive" does not necessarily mean it will be included as a regional priority once additional information has been provided in final applications.

Sustainable Agriculture Lands Program: The Strategic Growth Council is also administering the Sustainable Agriculture Lands Conservation (SALC) Program. SALC will be implemented by the Department of Conservation (DOC). SALC comprises two separate grant programs- Sustainable Ag Land Strategy Grants (up to \$1 million statewide in FY2014-15) and Ag Conservation Easement Grants (up to \$4 million statewide in FY2014-15). Applications are due to DOC on March 20 and April 1, respectively. As the agency charged with designating the Bay Area's Priority Conservation Areas (PCA), ABAG will monitor SALC proposals for consistency with the region's PCAs, and MTC and ABAG will submit joint support letters where appropriate.

Issues: Greenhouse Gas Quantification Methodology: ARB has provided a methodology for estimating GHG reductions for projects under the AHSC program. The methodology uses components of the California Emissions Estimator Model (CalEEMod), a land use emissions calculator tool designed to quantify GHG emissions associated with land use development projects, as well as components of the Congestion Mitigation and Air Quality (CMAQ) program. While ARB utilizes available tools to help provide a uniform statewide methodology, MTC is concerned that CalEEMod may not fully account for the diversity and complexity of the Bay Area's land use, job center locations, and transportation network. Given these concerns, MTC intends to analyze final project applications using a regional methodology that more accurately reflects the GHG impact of PDA-centered developments in the Bay Area (see Attachment A).

Recommendation: Approve Regional Principles (Attachment A).

Attachments: Attachment A: Regional Principles for Prioritizing Final Applications under the Affordable Housing and Sustainable Communities Program
Attachment B: AHSC Program Summary, from AHSC Guidelines

**Attachment A:
Regional Principles for Prioritizing Final Applications under the Affordable Housing and Sustainable Communities Program**

Overview

The Affordable Housing and Sustainable Communities (AHSC) final guidelines provide regional agencies an opportunity to advise on AHSC project selection. After an initial screening of concept applications for Plan Bay Area supportive elements, MTC staff in coordination with ABAG, will review full applications and make project recommendations to the Commission for approval and transmittal to the Strategic Growth Council (SGC). The role for regional agencies in this process is advisory, meaning that SGC has the ultimate project selection authority.

Regional Bid Target

In the final application process, MTC proposes to **cap total regional priorities at 150%-200% of the regional population share of the State**. This is equivalent to roughly **\$35-45 million** for the first year. MTC will apply this cap for final applications, not concept applications, as project scopes and costs are expected to change between the initial concept and final application stages and we want to encourage a significant pool of applications.

Project Prioritization Process

MTC staff proposes to conduct a **project prioritization process, in coordination with ABAG staff**, to provide SGC with a set of regional priority projects, based on the following principles. Although these criteria are not “thresholds” that must be achieved, staff will look most favorably on applications achieving most to all of the following elements, which are listed here roughly in rank order of importance:

- 1. Significant Greenhouse Gas Reduction (GHG).** Prioritize projects that demonstrate significant GHG reduction. While the SGC will employ a statewide methodology in the final applications for quantifying GHG benefits, MTC staff also intends to analyze projects using a regional methodology.
- 2. Communities of Concern/Disadvantaged Communities.** Prioritize projects located in or providing benefits to the region’s Communities of Concern as well as CalEPA’s defined Disadvantaged Communities.
- 3. Support Plan Bay Area’s Focused Growth Investment Strategies.** Prioritize ready-to-go TOD projects within Priority Development Areas (PDAs) in high growth jurisdictions and corridors that provide access to jobs and services. Per SGC criteria, TOD projects must be served by “qualifying high quality transit” (headways under 15 minutes during peak times). When applicable, also prioritize projects that provide funds for active Transit Oriented Affordable Housing (TOAH) projects, all of which have a strong nexus to transit and PDAs and have ownership of land for development. Projects that meet the criteria for TOAH and are at the same state of readiness will also be considered favorably. Staff will also consider high-performing Integrated Connectivity Projects (ICPs), which require “qualifying transit” or one route departing two or more times during peak hours.

- 4. Support for the Region's Adopted Transit Priorities.** Prioritize projects that support the Commission's adopted transit priorities. These include the Regional Transit Expansion program of projects (Resolution 3434), Plan Bay Area's Next Generation Transit program, projects under the Core Capacity Challenge Grant program, and projects that support the implementation of the Transit Sustainability Project.
- 5. Funding Leverage.** Prioritize projects leveraging other funding sources for local match.
- 6. OBAG Policy.** When applicable, OBAG's policy requirements should be applied to help determine a project's alignment with the SCS. These requirements include adherence with state and regional Complete Streets policies and General Plan Housing Element adoption and certification. These policies should be applied based on the jurisdiction of where the project is located (rather than whether the local jurisdiction is listed as co-applicant).

Attachment B: AHSC Program Summary (from AHSC Guidelines)

Figure 1 AHSC Program Summary		
Project Area Types	Transit Oriented Development (TOD) Project Area	Integrated Connectivity Project (ICP) Project Area
Transit Requirements (All Project Areas) §102	<ul style="list-style-type: none"> ▪ MUST include Qualifying Transit, which means a transit line serving the public that is operated by a public entity (directly or via contract), or operated as a grant recipient (or sub-recipient) from a public entity. ▪ Qualifying Transit includes various forms of Rail Service, Bus Service and Flexible Transit Service. ▪ All Project Areas MUST also include a Transit Station/Stop, which is a designated drop-off and pick-up location served by at least one Qualifying Transit line departing two or more times during Peak Hours (unless it is Flexible Transit Service). 	
Project Area Specific Transit Requirements §102	<ul style="list-style-type: none"> ▪ MUST be served by Qualifying High Quality Transit ▪ Headway frequency of 15 minutes or less during Peak Hours ▪ Requires dedicated right-of-way or multiple Bus Rapid Transit (BRT) features 	<ul style="list-style-type: none"> ▪ CANNOT be served by Qualifying High Quality Transit
Required Components §102	<p>Project Area MUST include an Affordable Housing Development (funded either through AHSC Program funds or other sources). AHSC Program funds MUST be used for Projects which include an Affordable Housing Development OR Housing-Related Infrastructure Capital Use AND a Transportation-Related Infrastructure Capital Project</p>	<p>AHSC Program funds must be used for Projects which MUST include at least one (1) Capital Project combined with at least one (1) additional Capital Project, Planning or Program Cost</p>
Eligible Uses §103	<p>Capital Projects:</p> <ul style="list-style-type: none"> ▪ Affordable Housing Developments ▪ Housing-Related Infrastructure ▪ Transportation-Related Infrastructure (includes Active Transportation and Transit-Related Infrastructure) <p>Planning and Program Costs:</p> <ul style="list-style-type: none"> ▪ Pre-Development Costs Related to Project Implementation ▪ Active Transportation Programs ▪ Transit Ridership Programs ▪ Criteria Air Pollutant Reduction Programs 	
Affordable Housing Development Requirements §103	<p>Affordable Housing Developments may be:</p> <ul style="list-style-type: none"> ▪ New construction ▪ Acquisition and Substantial Rehabilitation including preservation of affordable housing at-risk ▪ Conversion of one or more nonresidential structures to residential dwelling units 	
Funds Available §106	No less than 40 percent of available funds will be allocated to TOD Project Areas	No less than 30 percent of available funds will be allocated to ICP Project Areas
Project Awards §104	Minimum: \$1 Million Maximum: \$15 Million	Minimum: \$500,000 Maximum: \$8 Million
Statutory Funding Set-asides §106	<ul style="list-style-type: none"> ▪ 50 percent of the annual proceeds for the AHSC Program shall be for Affordable Housing (Health & Safety Code § 39719(a)(1)(C)) ▪ 50 percent of AHSC Program expenditures shall be for projects benefitting Disadvantaged Communities (Public Resources Code § 75214) <p><i>Note: A single project can address both set-asides above, and are not mutually exclusive.</i></p>	