Metropolitan Transportation Commission
Programming and Allocations Committee

March 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 (AHSC) Program and Adoption of Regional Principles for Reviewing Projects.

Background: In February, several members of the Commission requested staff to summarize how the AHSC program prioritizes two specific issues: 1) levels of housing affordability and 2) anti-displacement strategies, and how MTC's principles and priorities could also incorporate these issues. As follow-up to that discussion, this item describes the AHSC application process and regional role, provides a set of revised recommended regional principles (Attachment A) for prioritizing final applications, lists SGC's levels of affordability and anti-displacement project evaluation criteria (Attachment B), compares SGC scoring criteria and MTC principles (Attachment C) and provides details on Average Median Income (AMI) levels for the Bay Area's nine counties (Attachment D).

As a reminder, the AHSC Program will provide grants and loans for affordable housing, infill and compact transit-oriented development, and infrastructure connecting these projects to transit. 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.

Application Process and Regional Role

Concept Proposals

MTC and ABAG staff are jointly reviewing concept proposals for support of Plan Bay Area and transmitting an initial screening to SGC by March 6. 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 from the Bay Area regions using the 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.

AHSC Approach to Levels of Affordability and Anti-Displacement
Levels of housing affordability and anti-displacement strategies are specifically addressed as scoring criteria in the AHSC program guidelines, adopted by SGC on January 20, 2015. The specific criteria are included in **Attachment B**, and are summarized as follows:

- Regarding levels of housing affordability, SGC will score projects based on the percentage of units in the affordable housing development limited to various income levels with a maximum of 6.5% of the points awarded. In general, SGC's guidelines place the highest priority on projects that are rental restricted for households with lower percentages of Area Median Income (AMI) (see **Attachment D** for AMI by county).

- Regarding anti-displacement, SGC will score projects based on the number of specific residential and business anti-displacement strategies identified in the project proposals for a maximum of 1% of the points awarded. On the residential side, these include phased construction of rehabilitation, provision of vouchers, or assignment of a relocation specialist or case management support. On the business side, these include implementation of overlay zones designed to protect and assist small businesses, establishment of a small business advocate office or small business alliance, or other formal programs.

Based on the information included in the SGC guidelines and MTC expertise, staff recommends the following actions to address these two issues:

- Add criteria #4 to reflect a level of prioritization for affordable units with a higher level of affordability, in line with SGC's criteria.

- Continue to emphasize the importance of increasing affordable housing production near transit, as described in criteria #3, as the preferred regional strategy for avoiding displacement of residents and workers.

Issues: None

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 Guidelines Scoring Criteria on Housing Affordability and Anti-Displacement
Attachment C: Comparison of SGC Scoring Criteria and MTC Regional Principles for Evaluating and Prioritizing AHSC Projects
Attachment D: Area Median Income (AMI) by Bay Area County

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. Prioritize projects providing both a greater share and total number of affordable units to address concerns about community stability and displacement. 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. **Level of Housing Affordability.** For proposals including an affordable housing development as a capital project, prioritize projects in a manner consistent with the Strategic Growth Council's AHSC scoring criteria, which places the highest priority on rental restricted units for households at lower percentages of Area Median Income.

5. **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, projects that support the implementation of the Transit Sustainability Project, and recommendations of the Coordinated Public Transit-Human Services Plan.

6. **Funding Leverage.** Prioritize projects leveraging other funding sources for local match.

7. **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).

AHSC Guidelines Scoring Criteria on Levels of Housing Affordability and Anti-Displacement Strategies

The following Housing Affordability and Anti-Displacement criteria is included verbatim in the Affordable Housing and Sustainable Communities Program Guidelines, adopted by the Strategic Growth Council on January 20, 2015. These are two of seven criteria under the Policy Objectives scoring element, which makes up 30% of a proposal's total score (GHG Reduction makes up 55%, and Feasibility and Readiness makes up 15%). Together, these two criteria provide a maximum of 7.5 points out of 30 points maximum in the Policy Objectives area.

<u>Extent to which the Affordable Housing Development Serves Lower- and Moderate-Income Households – 6.5 Points Maximum</u>

Applications will be scored based on the percentage of units in the **Affordable Housing Development** limited to various income levels, in accordance with the following schedule. Applicants may elect to exclude from the calculation of "total units" units which are not utilized in the calculation of leverage points pursuant to subdivision (d) of this Section and which are not utilized in the calculation of the loan amount pursuant to Section 104.

Applicants should calculate applicable points based on the scale provided below for owner-occupied and rental units by level of affordability. Applicable points should be multiplied by 0.216 to determine the final point score for this criterion not to exceed a maximum of 6.5 points.

For owner-occupied units:
(1) 0.13 points will be awarded for each percent of total units that are owner-occupied and restricted to initial occupancy by households with incomes not exceeding the moderate income limit.
(2) 0.25 points will be awarded for each percent of total units that are owner-occupied and restricted to occupancy by households with incomes not exceeding the moderate income limit at affordable housing costs for not less than 55 years.
(3) 0.30 points will be awarded for each percent of total units that are owner-occupied and restricted to occupancy by households with incomes not exceeding the lower income limit at affordable housing costs for not less than 55 years.

For rental units:
(4) 0.13 points will be awarded for each percent of total units that are rental **Restricted Units** for households with incomes less than or equal to 50 percent of Area Median Income.
(5) 0.7 points will be awarded for each percent of total units that are rental **Restricted Units** for households with incomes less than or equal to 40 percent of State Median Income, expressed as a percentage of Area Median Income.
(6) 0.9 points will be awarded for each percent of total units that are rental **Restricted Units** for households with incomes less than or equal to 35 percent of State Median Income, expressed as a percentage of Area Median Income.
(7) 1.3 points will be awarded for each percent of total units that are rental **Restricted Units** for households with incomes not exceeding 20 percent of State Median Income (adjusted by the **Department** to avoid exclusion of working CalWORKs recipients and individuals receiving SSI

and expressed as a percentage of Area Median Income) for the first 10 percent of total **Restricted Units**; then 1 point for each subsequent percent of total **Restricted Units**.
(8) For rental **Affordable Housing Developments** utilizing 9% low income housing tax credits, applicants may elect to have their rental units scored in accordance with the scoring system used for this purpose by TCAC, under the Lowest Income point category. Applicants making this election shall be awarded 0.577 points for every 1 point they would be eligible to receive using TCAC's system (so that applications eligible for the maximum possible 52 points using the 9% scale receive 30 points in this category for the Program).

Anti-Displacement Strategies- 1 Point Maximum

A maximum of 1 point will be provided for demonstration of policies, strategies or programs designed to avoid the displacement of low-income residents and businesses of the **Project Area** and community.

*Note: The **Department** recognizes not all **Projects** may have a need to evaluate displacement risk and/or include anti-displacement strategies. Applicants shall provide evidence for **Department** review demonstrating no displacement risk. Those applications will not be evaluated on the criterion and the points will not be factored into the overall score.*

Applicants will receive points as follows:
0.25 points for identification and implementation of at least one (1) strategy
0.5 points for identification and implementation of 2 to 3 strategies
1.0 point for identification and implementation of more than three (3) strategies

Examples of strategies include, but are not limited to:
(1) Implementation of Residential Anti-Displacement Strategies

- Phased construction or rehabilitation, minimizing disruptions for tenants.
- Provision of Housing Choice Voucher (HCV) or other mechanism for affordability, including temporary relocation.
- Assignment of a relocation specialist to develop and implement a relocation plan and work closely with any tenants that temporarily relocate off-site to provide relocation planning, mobility counseling, and assistance (for example, reviews of school options, benefits, re-occupancy plans, and services access).
- Case management support to residents and relocation technical assistance to the local housing authority/department to ensure that all residents are informed about maintenance of lease compliance requirements.

(2) Implementation of Business Anti-Displacement Strategies:

- Implementation of an overlay zone designed to protect and assist small businesses.
- Establishment of a small business advocate office and designate a single point of contact for every small businesses.
- Creation and maintenance of a small business alliance.
- Increased visibility of the jurisdiction's small business assistance programs.
- Formal program to ensure that some fraction of a jurisdiction's purchases of goods and services come from local businesses.

Attachment C

Comparison of SGC Scoring Criteria and MTC Principles for Evaluating and Prioritizing Projects under the AHSC Program

SGC Scoring Criteria (100 point scale)	**MTC Principles** (ranked in priority order)
GHG Reduction (State Methodology) (55%)	**Significant GHG Reduction** (Regional Methodology)
Policy Objectives (30%) • Accessibility to Qualified Employment Areas (5.5 points) • Extent to Which the Project Area Incorporates Walkable Corridors (5.5 points) • Extent to which the Project Area Incorporates Features which Encourage Bicycling (3 points) • Extent to which the Housing Development Serves Lower-and Moderate-Income Households (6.5 points) • Extent to which the Project Addresses Co-Benefits (6.5 points) • Anti-Displacement Strategies (1 point) • Community Engagement (2 points)	**Communities of Concern/Disadvantaged Communities**
	Support Plan Bay Area Investment Strategies • Ready to go TOD projects within PDAs • Greater share/total number of affordable units • TOAH and other projects meeting that criteria • High performing ICPs
	Level of Housing Affordability
	Support for the Region's Transit Priorities
	Funding Leverage
Feasibility and Readiness (15%) • Capital Project Past Performance (2 points) • Capital Project Readiness and Program Readiness, Capacity, Need, and Leverage (8 points) • Capital Project Funds Leveraged (4 points) • Implementation of Planning Efforts (1 point)	**OBAG Policy**

Attachment D

Area Median Incomes for Bay Area Counties

California Tax Credit Allocation Committee
2014 Maximum Income Levels -- for Projects Placed in Service on or after 12/18/2013
100% Income Level

County[1]	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Alameda	$64,400	$73,600	$82,800	$92,000	$99,400	$106,800	$114,100	$121,500
Contra Costa	$64,400	$73,600	$82,800	$92,000	$99,400	$106,800	$114,100	$121,500
Marin	$77,500	$88,600	$99,700	$110,700	$119,600	$128,500	$137,300	$146,200
Napa	$57,700	$66,000	$74,200	$82,400	$89,000	$95,600	$102,200	$108,800
San Francisco	$77,500	$88,600	$99,700	$110,700	$119,600	$128,500	$137,300	$146,200
San Mateo	$77,500	$88,600	$99,700	$110,700	$119,600	$128,500	$137,300	$146,200
Santa Clara	$71,400	$81,600	$91,800	$101,900	$110,100	$118,300	$126,400	$134,600
Solano	$53,700	$61,400	$69,100	$76,700	$82,900	$89,000	$95,200	$101,300
Sonoma	$53,900	$61,600	$69,300	$76,900	$83,100	$89,300	$95,400	$101,600
California[2]	$47,700	$54,500	$61,300	$68,100	$73,600	$79,000	$84,400	$89,900

1. Source: California Tax Credit Allocation Committee (via HUD), http://www.treasurer.ca.gov/ctcac/rentincome/14/income/post20131218.pdf

2. Source: FY 2014 State Income Limits (HUD), http://www.huduser.org/portal/datasets/il/il14/Medians2014_v2.pdf