



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 3

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Memorandum

TO: Bay Area Partnership Board

DATE: October 2, 2015

FR: Anne Richman, Director, Programming and Allocations

RE: One Bay Area Grant Program Cycle 2 Proposal

Background

The inaugural One Bay Area Grant Program (OBAG 1) was approved by the Commission in May 2012 (MTC Resolution No. 4035) to better integrate the region's discretionary federal highway funding program with California's climate statutes and the Sustainable Communities Strategy (SCS). OBAG 1 supported *Plan Bay Area*, the region's Regional Transportation Plan / SCS, by incorporating the following program features:

- Targeting project investments into Priority Development Areas (PDA);
- Rewarding jurisdictions that accept housing allocations through the Regional Housing Need Allocation (RHNA) process and produce housing;
- Supporting open space preservation in Priority Conservation Areas (PCA);
- Providing a larger and more flexible funding pot to the county-level Congestion Management Agencies (CMAs) to deliver transportation projects in categories such as transportation for livable communities, bicycle and pedestrian improvements, local streets and roads preservation, and planning activities, while also providing specific funding opportunities for Safe Routes to School (SRTS).

The successful outcomes of this program are outlined in the "One Bay Area Grant Report Card," which was presented to the MTC Planning Committee in February 2014 (http://files.mtc.ca.gov/pdf/OBAG_Report_Card.pdf).

With only two years remaining of the OBAG 1 cycle (FY2015-16 and FY2016-17), preparations are well underway for the development and implementation of the next round of OBAG. Commission consideration of the OBAG 2 program proposal is anticipated at the November meeting.

Recommendations

Considering the positive results achieved to date in OBAG 1, staff recommends only minor revisions for OBAG 2. Listed below are principles that have guided the proposed program revisions:

1. Maintain Realistic Revenue Assumptions:

OBAG 2 funding is based on anticipated future federal transportation program apportionments. In recent years, the Surface Transportation Program/Congestion Mitigation and Air Quality Improvement programs (STP/CMAQ) have not grown, and changes in the federal and state programs (such as elimination of the Transportation Enhancement (TE) program) have resulted in decreases that were not anticipated when OBAG 1 was developed. For OBAG 2, a 2% annual escalation rate above current federal

revenues is assumed, consistent with the mark-up of the Developing a Reliable and Innovative Vision for the Economy (DRIVE) Act by the Senate Environment and Public Works Committee. Even with the 2% escalation, revenues for OBAG 2 are 4% less than revenues for OBAG 1, due to the projections of OBAG 1 being higher than actual revenues, and the fact that OBAG 1 included Transportation Enhancement (TE) funds which are no longer available to be included in OBAG 2.

2. Support Existing Programs and maintain Regional Commitments while Recognizing Revenue Constraints:

The OBAG Program as a whole is expected to face declining revenues from \$827 million in OBAG 1 to \$790 million in OBAG 2. Therefore, staff recommends no new programs and to strike a balance among the various transportation needs supported in OBAG 1.

- a. The regional pot of funding decreases by 4%. With the exception of regional planning activities (that grows to account for escalation) and the Priority Conservation Area (PCA) program (that receives additional funds redirected from an OBAG 1 project), all other funding programs are either maintained at or decreased from their OBAG 1 funding levels.
- b. The OBAG 2 county program decreases by 4%. As compared to the county program under OBAG 1, largely the same planning and project type activities are proposed to be eligible under OBAG 2.

The proposed OBAG 2 funding levels for the regional and county programs are presented in Table 1 below. See Attachment 1 for more details on these programs and a comparison with the OBAG 1 fund cycle.

Table 1. OBAG 2 Funding Proposal

OBAG 2 Programs	OBAG 2 Proposed Funding (million \$, rounded)
Regional Planning Activities	\$10
Pavement Management Program	\$9
Regional Priority Development Area (PDA) Planning	\$20
Climate Change Initiatives	\$22
Priority Conservation Area (PCA) Program	\$16
Regional Active Operational Management	\$170
Regional Transit Priorities	\$189
County CMA Program	\$354
OBAG 2 Total	\$790

3. Support the Plan Bay Area’s Sustainable Communities Strategy (SCS) by Linking OBAG Funding to Regional Housing Needs Allocation (RHNA), Housing Production, Affordable Housing, and Smart Growth Goals: OBAG 2 continues to support the SCS for the Bay Area by promoting transportation investments in Priority Development Areas (PDAs). A few changes are proposed for OBAG 2, to further improve upon the policies that have worked well in OBAG 1 (see also Attachments 2 and 3).

- a. PDA Investment targets remain at OBAG 1 levels: 50% for the four North Bay counties and 70% for the remaining counties.
- b. PDA Investment Growth Strategies should play a strong role in guiding the County CMA project selection and be aligned with the Plan Bay Area update cycle.
- c. Three alternatives are under consideration for the county OBAG 2 distribution formula in response to a Commission request at the July Programming and Allocations Committee meeting (see Table 2).

Table 2. OBAG Distribution Factor Alternatives

	Population	Housing Production	Housing RHNA	Housing Affordability
OBAG 1	50%	25%	25%	50%
OBAG 2 <i>Affordable Housing</i>	50%	30%	20%	60%
OBAG 2 <i>Affordable + Moderate</i>	50%	30%	20%	60%*
OBAG 2 <i>Housing Production</i>	50%	50%	0%	60%

*Includes moderate as well as low and very low income levels for RHNA and housing production.

Also, the distribution formula is proposed to be based on housing over a longer time frame, considering housing production between 1999 and 2006 (weighted 30%) and between 2007 and 2014 (weighted 70%) in order to mitigate the effect of the recent recession and major swings in housing permit approvals (see Table 3).

Table 3. Housing Production Trends

County	Total Housing Production ¹			
	1999-2006		2007-2014	
Alameda	33,697	15.9%	19,615	15.9%
Contra Costa	47,956	22.6%	16,800	13.6%
Marin	5,772	2.7%	1,543	1.3%
Napa	5,245	2.5%	1,434	1.2%
San Francisco	17,439	8.2%	20,103	16.3%
San Mateo	10,289	4.9%	8,169	6.6%
Santa Clara	52,018	24.5%	44,823	36.4%
Solano	18,572	8.8%	4,972	4.0%
Sonoma	20,971	9.9%	5,639	4.6%
Totals	211,959	100.0%	123,098	100.0%

¹ OBAG 1 total housing production numbers were based on the number of permits issued from 1999-2006. OBAG 2 total housing production numbers are based on the number of permits issued over a longer period from 1999-2006 (weighted 30%) and from 2007-2014 (weighted 70%) and have not been capped to RHNA allocations.

The resulting alternative county distribution formulas are presented in Attachment 2.

4. Continue Flexibility and Local Transportation Investment Decision Making:

OBAG 2 continues to provide the discretion and the same base share of the funding pot (40%) to the CMAs for local decision-making. Also, two previously regional programs, Safe Routes to Schools and the Federal-Aid Secondary (rural roads) programs, have been consolidated into the county program with funding targets to ensure that these programs continue to be funded at specified levels.

5. Cultivate Linkages with Local Land-Use Planning:

As a condition to access funds, local jurisdictions need to continue to align their general plans' housing and complete streets policies as part of OBAG 2 and as separately required by state law (see Attachment 3).

Complete Streets Requirements

Jurisdictions have two options for demonstrating complete streets compliance, which must be met by January 31, 2016:

- a. Adopt a Complete Streets Resolution incorporating MTC's nine required complete streets elements; or
- b. Adopt a significant revision to the circulation element of a General Plan after January 1, 2011 that complies with the California Complete Streets Act of 2008.

Housing Element Requirements

Jurisdictions must have a general plan housing element adopted and certified by the California Department of Housing and Community Development (HCD) for 2014-2022 RHNA by May 31, 2015. Furthermore, under state statute, applicable jurisdictions are required to submit Housing Element Annual Reports by April 1 every year. Jurisdictions receiving OBAG 2 funding must comply with this statute during the entire OBAG 2 funding period or risk de-programming of OBAG 2 funding.

6. Continue Transparency and Outreach to the Public Throughout the Project Selection Process:

CMAs will continue to report on their outreach process as part of their solicitation and selection of projects for OBAG 2. Each CMA will develop a memorandum addressing outreach, coordination and Title VI civil rights compliance.

Outreach and OBAG 2 Development Schedule

To date, MTC staff has made presentations on the OBAG 2 framework to the Policy Advisory Council, Programming and Allocations Committee, the Partnership Technical Advisory Committee and associated working groups. Comments received to date have been reviewed and revisions have been made to the proposal as a result of this stakeholder feedback. Comment letters and summarized stakeholder feedback have been posted at <http://www.mtc.ca.gov/funding/obag2/>.

The final OBAG 2 program is anticipated to be presented to the Commission in November for adoption, which will subsequently kick off the CMAs' project solicitation process. Commission approval of OBAG 2 regional programs and CMA project submittals is anticipated for December 2016 (see Attachment 4 for full schedule).

Other Noted Program Revisions

Regional Safe Routes to School (SRTS) Program: In December 2014, the Committee approved adding a fifth-year (FY 2016-17) to OBAG 1 in order to address program shortfalls due to lower than expected apportionments. After closing those shortfalls, the balance was directed to continue time-critical operations and planning programs at lower levels than prior years. A number of committee members expressed interest in restoring funding up to the SRTS annual funding level of \$5 million. Staff has identified cost savings from prior cycles of federal funding, and is seeking consensus from the Committee to increase FY2016-17 SRTS funding from \$2.7 million to \$5.0 million. Staff will bring back the programming action to the Commission in November. For OBAG 2, recommended funding levels for the program are \$5 million per year (\$25 million total).

Available OBAG 1 Funding from Bikeshare Program: With the transition of the Bikeshare program to a public-private partnership model, \$6.4 million in OBAG 1 funds that were programmed to Bikeshare are now available for reprogramming. Staff proposes to augment the PCA program, providing an additional \$3.2 million each to the North Bay and Regional programs. The revised PCA program total of \$16 million is 60% higher than OBAG 1 funding levels – the only category proposed for such significant growth in OBAG 2.

MTC staff invites discussion and direction on any remaining issues as the OBAG 2 programming policies and procedures are being finalized.



Anne Richman

OBAG 2 Program Considerations		OBAG 1	OBAG 2
Regional Programs		(millions)	
1. Regional Planning Activities			
<ul style="list-style-type: none"> Continue regional planning activities for ABAG, BCDC and MTC with 2.0% annual escalation from final year of OBAG 1 		\$8	\$10
2. Pavement Management Program			
<ul style="list-style-type: none"> Maintain PMP implementation and PTAP at OBAG 1 funding level 		\$9	\$9
3. PDA Planning and Implementation			
<ul style="list-style-type: none"> Maintain Regional PDA/TOD Planning and Implementation at OBAG 1 levels Focus on cities with high risk of displacement 		\$20	\$20
4. Climate Initiatives Program			
Continue climate initiatives program to implement the SCS		\$22	\$22
5. Priority Conservation Area (PCA)			
<ul style="list-style-type: none"> Increase OBAG 1 Programs: \$8M North Bay & \$8M Regional Program for the five southern counties and managed with the State Coastal Conservancy \$6.4M redirected from OBAG 1 regional bicycle sharing savings. Reduce match requirement from 3:1 to 2:1. MTC funding to be federal funds. Support State Coastal Conservancy to use Cap and Trade and other funds as potential fund source for federally ineligible projects. Regional Advance Mitigation Program (RAMP) activities eligible for funding 		\$10	\$16
6. Regional Operations			
<ul style="list-style-type: none"> Freeway Performance Initiatives, Incident Management, Transportation Management System, 511, Rideshare Focus on partnerships for implementation, key corridor investments, and challenge grant to leverage funding 		\$184	\$170
7. Transit Priorities Program			
<ul style="list-style-type: none"> BART Car Phase 1 Clipper Next Generation System Transit Capital Priorities (TCP), Transit Performance Initiatives (TPI) 		\$201	\$189
		\$454	\$436
Local Programs			
❖ Local PDA Planning			
Eliminate Local PDA Planning as a separate program.			
<ul style="list-style-type: none"> PDA planning eligible under County program. 		\$20	-
❖ Safe Routes to School (SRTS)			
Managed by CMAs. Provide Safe Routes To School grants to local jurisdictions.			
<ul style="list-style-type: none"> Maintain Safe Routes to School – Add to county shares. Use FY 2013-14 K-12 school enrollment formula \$25M minimum not subject to PDA investment requirements. Counties may opt out if they have their own county SRTS program 		\$25	-
❖ County Federal-Aid Secondary (FAS)			
Managed by CMAs. Provide FAS funding to Counties.			
<ul style="list-style-type: none"> Fully fund county FAS requirement (\$2.5 M per year). Funding not included in OBAG 1 because FAS requirement had been previously satisfied. \$13M guaranteed minimum not subject to PDA investment requirements 		-	-
		\$45	-
County CMA Programs			
❖ County CMA Program			
<ul style="list-style-type: none"> Local PDA Planning optional through CMA County OBAG Program SRTS included in County OBAG program (use K-12 school enrollment formula) FAS included in County OBAG program (use FAS formula) Adjustment to ensure county planning is no more than 50% of total amount CMA Planning Base with 2.0% annual escalation from final year of OBAG 1 County CMA 40% of base OBAG program (not including CMA Planning Base) 		-	-
		-	\$25
		-	\$13
		-	\$1
		\$36	\$39
		\$291	\$276
		\$327	\$354
Program Total		\$827	\$790

OBAG 2
STP/CMAQ
County Formula
October 2, 2015

Attachment 2

Option	Population	Housing RHNA	Housing Production	Weighting within RHNA and Housing Production		
				Very Low + Low Income RHNA and Housing Production	Very Low + Low + Moderate Income RHNA and Housing Production	Total Housing Production
OBAG 1 Distribution	50%	25%	25%	50%	-	50%
OBAG 2 Affordable Housing	50%	20%	30%	60%	-	40%
OBAG 2 Affordable + Moderate	50%	20%	30%	-	60%	40%
OBAG 2 Production Housing Only	50%	0%	50%	60%	-	40%

OBAG Base Formula - before applying adjustments and SRTS / FAS funding categories

	Population 2014	1 OBAG 1	2 Affordable	3 Affordable+Moderate	4 Production Only
OBAG Cycle		OBAG 1	OBAG 2	OBAG 2	OBAG 2
Adjustments		Base Before Adjustments	Base Before Adjustments	Base Before Adjustments	Base Before Adjustments
Scenario		Base Formula	Affordable	Affordable+Moderate	Production Only
RHNA Years (2007-2014)		Draft RHNA	Final RHNA	Final RHNA	No RHNA
Housing Production - 1999-2006		1999-2006 (Capped)	1999-2006 (Uncapped) 30%	1999-2006 (Uncapped) 30%	1999-2006 (Uncapped) 30%
Housing Production - 2007-2014			2007-2014 (Uncapped) 70%	2007-2014 (Uncapped) 70%	2007-2014 (Uncapped) 70%
Housing Affordability		Affordable	Affordable	Affordable+Moderate	Affordable
Alameda	21.2%	20.0%	20.3%	19.9%	19.2%
Contra Costa	14.6%	14.3%	13.6%	14.8%	14.2%
Marin	3.4%	2.8%	2.6%	2.6%	2.8%
Napa	1.9%	1.7%	1.5%	1.6%	1.6%
San Francisco	11.3%	12.2%	13.9%	13.2%	14.5%
San Mateo	10.0%	8.4%	8.5%	8.5%	7.8%
Santa Clara	25.2%	27.9%	28.3%	27.6%	27.8%
Solano	5.7%	5.5%	4.9%	5.2%	5.1%
Sonoma	6.6%	7.3%	6.4%	6.6%	7.1%

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- 1: OBAG1 Base Formula before applying adjustments
2. Affordable Housing Production Weighted
3. Affordable AND Moderate Production Housing Weighted
4. Affordable Housing Production Only - No RHNA

OBAG 2 County Program Considerations

❖ **County Generation Formula**

- Continue existing PDA investment targets of 50% for North Bay counties and 70% for all others.
- Consider housing production over a longer time frame, between 1999 and 2006 (weighted 30%) and between 2007 and 2014 (weighted 70%).
- Adjust the county generation formula. Three alternatives are under consideration for the distribution formula:

OBAG Distribution Factor Alternatives

	Population	Housing Production	Housing RHNA	Housing Affordability
OBAG 1	50%	25%	25%	50%
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OBAG 2 <i>Affordable + Moderate</i>	50%	30%	20%	60%*
OBAG 2 <i>Housing Production</i>	50%	50%	0%	60%

*Includes moderate as well as low and very low income levels for RHNA and housing production.

❖ **Housing Element**

- Housing element certified by California Department of Housing and Community Development (HCD) by May 31, 2015.
- Annual report on housing element compliance.

Missed Deadline for Certified Housing Element

Jurisdiction	County
Fairfax	Marin
Half Moon Bay	San Mateo
Monte Sereno	Santa Clara
Dixon	Solano

❖ **General Plan Complete Streets Act Update Requirements**

- For OBAG 1, jurisdictions are required to have either a complete streets policy resolution **or** a general plan that complies with the Complete Streets act of 2008 by January 31, 2013.
- For OBAG 2, jurisdictions are required to have either a complete street policy resolution **or** a circulation element of the general plan updated after January 1, 2011 that complies with the Complete Streets Act of 2008. The deadline for compliance with this requirement is January 31, 2016. This modified approach focuses on the local complete streets resolution while acknowledging the jurisdictions that have moved forward with an updated circulation element in good faith of the requirements anticipated for OBAG 2.

❖ **PDA Investment and Growth Strategy**

- Currently, OBAG 1 requires an annual update of the PDA investment and growth strategy. For OBAG 2, updates are required every four years with an interim status report after two years. The update would be coordinated with the countywide plan updates to inform Regional Transportation Plan (RTP) development decisions. The interim report addresses needed revisions and provides an activity and progress status.

❖ **Public Participation**

- Continue using the Congestion Management Agency (CMA) self-certification approach and alter documentation submittal requirements to require a CMA memorandum encompassing three areas: public outreach, agency coordination and Title VI.

❖ **Other**

- BAAQMD "Healthy Places" type considerations allowed, but not required.

OBAG 2 Tentative Development Schedule	
May-June 2015	
<ul style="list-style-type: none"> • Outreach <ul style="list-style-type: none"> • Refine proposal with Bay Area Partnership and interested stakeholders • Policy Advisory Council / ABAG 	
July 2015	
<ul style="list-style-type: none"> • Present Approach to Programming and Allocation Committee (PAC) <ul style="list-style-type: none"> • Outline principles and programs for OBAG 2 • Approve complete streets requirement 	
July-October 2015	
<ul style="list-style-type: none"> • Outreach <ul style="list-style-type: none"> • Finalize guidance with Bay Area Partnership and interested stakeholders 	
November 2015	
<ul style="list-style-type: none"> • Commission Approval of OBAG 2 Procedures <ul style="list-style-type: none"> • November Programming & Allocations Committee (PAC) and Policy Advisory Council • Commission approval of OBAG 2 procedures & guidance 	
December 2015 - September 2016	
<ul style="list-style-type: none"> • CMA Call for Projects <ul style="list-style-type: none"> • CMAs develop county programs and issue call for projects • CMA project selection process • County OBAG 2 projects due to MTC (September 2016) 	
December 2016	
<ul style="list-style-type: none"> • Commission Approval of OBAG 2 Projects <ul style="list-style-type: none"> • Staff review of CMA project submittals • Commission approves regional programs & county projects 	<p>NOTE: 2017 TIP Update: December 2016</p>
February 2017	
<ul style="list-style-type: none"> • Federal TIP <ul style="list-style-type: none"> • TIP amendment approval 	
October 2017	
<ul style="list-style-type: none"> • First year of OBAG 2 (FY 2017-18) <ul style="list-style-type: none"> • On-going planning and non-infrastructure projects have access to funding 	<p>NOTE: Plan Bay Area Update: Summer 2017</p>
October 2018	
<ul style="list-style-type: none"> • Second year of OBAG 2 (FY 2018-19) <ul style="list-style-type: none"> • Capital projects have access to funding 	