

Agenda Item 3



**METROPOLITAN
TRANSPORTATION
COMMISSION**

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Memorandum

TO: Bay Area Partnership Board

DATE: March 18, 2016

FR: Anne Richman, Director, Programming and Allocations

RE: One Bay Area Grant Program 2 (OBAG 2) Update

On November 18, 2015 the Commission adopted MTC Resolution No. 4202, the project selection criteria and programming policy for the second round of the One Bay Area Grant Program (OBAG 2) covering Fiscal Years 2017-18 through 2021-22. The adopted resolution can be viewed on the OBAG 2 website at: <http://www.mtc.ca.gov/our-work/fund-invest/federal-funding/obag-2>. This memo provides an overview of recent developments related to the program.

1. Increased Revenue Estimates

As discussed at the January Partnership Board meeting, the new five-year surface transportation authorization has resulted in increased funding levels for several programs, including the two that support the OBAG 2. Preliminary estimates indicate that the Bay Area’s share of these funds – the Surface Transportation Program (STP) and the Congestion Mitigation and Air Quality Improvement Program (CMAQ) – will increase by approximately \$72 million through the end of the OBAG 2 funding cycle (see Table 1).

Table 1. OBAG 2 Revenue Estimates

\$ in millions

	FY2015-16 through FY2016-17	FY2017-18 through FY2021-22*
Original Estimates (MAP-21)	\$300	\$790
Revised Estimates (FAST)*	\$307	\$855
Difference	\$7	\$65
Total Increased Revenues	\$72	

*Assumes a 2 year extension of FAST Act for FY2020-21 and FY2021-22, with 2% annual escalation over FY2019-20 funding levels.

Preliminary Options

Staff is currently developing options for the use of these additional revenues to present to the Commission for consideration. In developing proposals, staff is relying on the principles adopted in the OBAG 2 framework, while also balancing other regional objectives such as affordable housing and combatting climate change. Initial concepts being considered include:

- Distributing the additional revenues according to the adopted OBAG 2 framework, with 45% being directed to the county programs (\$32 million) and the remaining 55% directed to various regional programs (\$40 million).
- Focusing the increase on housing investments or an incentive/bonus for local jurisdictions that have produced housing. Housing investments could take the form of a regional affordable housing investment fund (similar to TOAH) or another form and more discussion is expected in order to develop specific options.
- Focusing the increase on near-term regional priorities that can deliver congestion relief in key corridors.

Staff welcomes feedback on these preliminary concepts.

As context, the program amounts for OBAG 1 and OBAG 2 are summarized in Table 2, below.

Table 2. OBAG 1 and 2 Program Amounts

\$ in millions

Program	OBAG 1	OBAG 2
Regional Planning Activities	\$8	\$10
Pavement Management Program	\$9	\$9
Priority Development Area (PDA) Planning and Implementation	\$20	\$20
Climate Initiatives Program	\$22	\$22
Priority Conservation Area (PCA)	\$10	\$16
Regional Operations Programs	\$184	\$170
Transit Priorities Program	\$201	\$189
Regional Programs	\$454	\$436
County Programs	\$372	\$354
County Programs	\$372	\$354
Total	\$827	\$790

2. Potential Anti-Displacement and Affordable Housing Approaches

Prior to adopting the OBAG 2 program, the Commission asked staff to develop potential anti-displacement and affordable housing policies for consideration. The Commission also requested that staff investigate the possibility of a housing preservation fund that could potentially be used to keep affordable units affordable, similar to the Transit-Oriented Affordable Housing (TOAH) fund. Staff has been exploring a variety of approaches to present to the Commission for consideration.

On February 20, 2016, MTC and the Association of Bay Area Governments (ABAG) convened a regional forum to further consider the role of regional agencies in addressing displacement and affordable housing. Approximately 300 residents, business organizations, elected officials, and other stakeholders attended the forum. Although the forum did not focus specifically on OBAG, the funding program was discussed as a possible strategy to incentivize jurisdictions to tackle the housing affordability challenge. A recap of the forum, including videos and position papers, is

available on the MTC website: <http://mtc.ca.gov/whats-happening/news/february-forum-jumpstarts-conversation-housing-policy>.

Commissioners are scheduled to continue these discussions on affordable housing and displacement at a Commission workshop in April. The range of regional policy and funding approaches to be discussed extend beyond the OBAG program itself. However, there is potential for OBAG funding to be included as one aspect of the Commission's proposed regional response to the issue of housing stability and affordability in the Bay Area.

3. Timeline

2016
March/April/May
Develop Draft Proposal/Options <ul style="list-style-type: none"> • Further discussion of FAST revenues, anti-displacement/affordable housing <ul style="list-style-type: none"> ○ Commission Workshop - April ○ Bay Area Partnership advisory and working groups ○ Policy Advisory Council • Develop and refine OBAG 2 proposal based on feedback
June
Adopt OBAG 2 Revisions (& Regional Housing Approach) <ul style="list-style-type: none"> • Finalize proposed OBAG 2 program revisions <ul style="list-style-type: none"> ○ Policy Advisory Council ○ Partnership advisory and working groups • Present OBAG 2 program revisions for adoption <ul style="list-style-type: none"> ○ PAC, Commission

Given that the additional FAST revenues and policy discussions related to anti-displacement strategies and affordable housing will affect the county call for projects, staff proposes to delay the schedule for project submittal. A revised county program schedule will be presented to the Commission this spring as part of the proposed OBAG 2 revisions.