

October 11, 2016

Subject: Affordable Housing and Sustainable Communities Program: 2016
Recommended Awards

Reporting Period: August – October 2016

Staff Lead: AHSC Program Staff

Recommended Action:

Approve staff recommendation of awarding \$289,439,831 in cap-and-trade funding for the 2015-16 Affordable Housing and Sustainable Communities Program to 25 projects supporting greenhouse gas (GHG) emissions reductions and related co-benefits.

Summary:

The Affordable Housing and Sustainable Communities (AHSC) Program provides grants and loans for capital development projects, including affordable housing development and transportation improvements that encourage walking, bicycling, and transit use resulting in fewer passenger vehicle miles travelled (VMT). Reduction of VMT in these projects will achieve GHG reductions and benefit Disadvantaged Communities. In FY 2015-16, \$289,439,831 is available to fund such projects. This staff report provides an overview of the AHSC Program, application process for the 2015-16 funding round, and summary of applications recommended for award.

Background:

The AHSC Program provides competitive grants and loans to projects that will achieve GHG reductions and benefit disadvantaged communities through the development of affordable housing and related infrastructure, and active transportation and transit improvements located near, connecting to, or including transit stations or stops. The AHSC program encourages partnerships between local municipalities, transit agencies and housing developers in order to achieve integration of affordable housing and transportation projects.

Per statute, a minimum of 50 percent of the total AHSC program dollars are dedicated to affordable housing, and 50 percent of AHSC funding must also be invested to benefit Disadvantaged Communities, as identified by the CalEnviroScreen 2.0 tool. These set-asides are not mutually exclusive.

AHSC Program guidelines for the Fiscal Year 2015-16, adopted by the Strategic Growth Council (SGC) in December 2015, considered three project types as seen in Figure 1 below. AHSC Program guidelines also established programmatic targets for Transit Oriented Development (TOD) projects, Integrated Connectivity Projects (ICP), and Rural Innovation Project Area (RIPA) projects, which advise that at least 35 percent of funds to be invested in each of the TOD and ICP project types, and 10 percent be invested within the RIPA category.

Figure 1
2015-16 Affordable Housing & Sustainable Communities Program
Eligible Project Types

TOD	ICP	RIPA
Transit Oriented Development	Integrated Connectivity Project	Rural Innovation Project Area
Required: ✓ High Quality Transit ✓ Affordable Housing	Required: ✓ Qualifying Transit ✓ Sustainable Transportation Infrastructure	Required: ✓ Qualifying Transit ✓ Sustainable Transportation Infrastructure
Required: At least one additional components from the following: <input type="checkbox"/> Sustainable Transportation Infrastructure <input type="checkbox"/> Transportation Related Amenities <input type="checkbox"/> Programs	Required: At least one additional components from the following: <input type="checkbox"/> Affordable Housing <input type="checkbox"/> Transportation Related Amenities <input type="checkbox"/> Programs	Required: At least one additional components from the following: <input type="checkbox"/> Affordable Housing <input type="checkbox"/> Transportation Related Amenities <input type="checkbox"/> Programs

2016 Funding Round: Application Process:

As the implementing agency for the AHSC, the California Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) for this round of funding on January 29, 2016. Applications were considered through a two-phase process: concept proposals and full applications.

Concept Application

The AHSC Program staff received 130 concept proposals requesting over \$1.1 billion for this highly competitive program by the March 16th, 2016 deadline. An AHSC Concept Proposal review team verified the eligibility of the submitted proposals in accordance with AHSC Guidelines, and used the Concept Proposal Filter per 2015-16 AHSC Guidelines to invite 86 concept proposals from 30 counties requesting \$792,774,734 to compete for the \$289,439,831 available in the Full Application phase.

- Full Application invites were given to 80 Concept Proposals whose combined requested AHSC funds and verified Enforceable Funding Commitments (EFCs) were equal or greater than 95 percent of their Total Development Costs (See AHSC Guidelines Section 105(c)(3)).
- In addition, to reflect AHSC’s commitment to geographic diversity and disadvantaged communities, a limited number of applications with a verified EFC Filter below 95 were also invited, including:
 - Four proposals in the Southern California Association of Governments (SCAG) region,
 - One from the Shasta Regional Transportation Agency (SRTA) region, and
 - One from the Butte County Association of Governments (BCAG) Region.

The proposals represent a wide range of VMT reduction strategies and strong collaboration between housing and transportation. The full application invites are set in large urban centers, medium-sized cities, small towns and rural areas across the state. These invitations resulted in full application invites shown in the tables below.

TABLE 1		
Full Application Invites by Statutory Set-Aside		
Statutory Set-Aside	AHSC \$ Requested	# of Full Application Invites
Affordable Housing	\$ 705,677,381	72
Disadvantaged Community	\$ 527,588,821	54

TABLE 2		
Full Application Invites by Project Area Type		
Project Area Types	AHSC \$ Requested	# of Full Application Invites
Transit Oriented Development (TOD)	\$ 264,325,450	24
Integrated Connectivity Project (ICP)	\$ 414,583,357	45
Rural Innovation Project Area (RIPA)	\$ 113,865,927	17

Full Application

Of the invited 86 concept proposals to submit a full application, 74 applications were received by the June 20th 2016 deadline requesting a total of approximately \$691,116,629.

The full application review consisted of four simultaneous review processes of Full Applications: Interagency Policy Review, HCD Readiness and Financial Feasibility Review, ARB (Air Resources Board) GHG Quantification Methodology Review, and optional MPO reviews. Below is a breakdown of each review process:

- Interagency Policy Scoring Review
 - The Interagency Policy Review conducted the majority of the scoring portion of the full application review. Reviewers from various SGC represented agencies and departments formed into teams and were charged with identifying consensus scores for the policy criteria components of each application based on the scoring rubric provided within the application. Team leads then reviewed all scores to ensure consistent application of the scoring criteria. The participating agencies and departments included: HCD, Caltrans, California Natural Resources Agency, Air Resources Board, California Department of Public Health, California Government Operations Agency Ops, California High Speed Rail Authority, California State Transportation Agency, California Environmental Protection Agency, California Business Consumer Services and Housing Agency, and the Governor’s Office of Planning & Research..
- ARB GHG Quantification Methodology (QM) Review
 - ARB reviewed and verified the GHG Quantification Methodology scoring component of each applicant, to ensure appropriate application of the adopted GHG QM tools.
- HCD Feasibility and Readiness Review
 - HCD conducted a thorough review of project feasibility, as well as a confirmation of supporting documentation for threshold criteria related to project readiness (such as developer experience, environmental clearances, site control, etc). This team also reviewed the project leverage and depth and level of affordability scoring criteria.
- Optional MPO Rating and Ranking
 - Several MPOs participated in an optional review in which they provided recommendations to SGC on award priorities from their region as they relate to regional goals. Each participating MPO provided a methodology of how they evaluated the projects in their region.

Applicants received notification of initial scores from HCD prior to final score issuance; this provided an opportunity to clarify information submitted at full application. Final scores were based on the verified score awarded relative to the maximum eligible points for each application. The application score is calculated as a percentage of the application’s maximum eligible points. All final decisions regarding applications were made by the AHSC Staff Working group, which consists of a multi-agency team from SGC, HCD, and ARB, and vetted through SGC Key Staff.

Recommended 2015-16 Awards

Attachment A provides the staff recommendation for the FY 2015-16 AHSC Program awards, with \$289,439,831 available. The recommended list reflects the top projects within each project area type, based on the twelve GHG and policy scoring criteria adopted in the 2015-16 AHSC Guidelines. This year’s 25 recommended projects will approximately reduce an estimated 350,000 metric tons of greenhouse gas emissions. Per 2015-16 AHSC Guidelines (Section 105(d)(3)(C)), funding distribution was targeted by project area type:

- Transit Oriented Development Project Areas: 35% of total funds
- Integrated Connectivity Project Areas: 35% of total funds
- Rural Innovation Project Areas: 10% of total funds

For the remaining 20 percent of funds available, projects were re-ordered as a group, regardless of project area type, and GHG scores were re-binned, as outlined in the 2015-16 AHSC Guidelines Section 105(d)(4)(D). From that re-ordered list, and in consideration of disadvantaged communities as outlined in AHSC Guidelines Section 105(d)(4)(E), staff is recommending funding the highest rated projects from this list that benefit the most disadvantaged communities in the state (top 5% of CalEnviroScreen 2.0). The recommended awards meet all statutory and programmatic set-asides as outlined in Table 3 below.

TABLE 3			
Summary of AHSC Funding Recommended by Statutory Set-Aside			
<i>Note: Affordable Housing and Disadvantaged Community dollars are not mutually exclusive</i>			
	Number of Awards	Total \$	Percent of Total \$
Total Funding Recommended	25	\$289,439,831	100%
Affordable Housing*	25	\$232,036,394	80%
Disadvantaged Community	22	\$246,875,943	85%
Transit Oriented Development (TOD) Project Areas	9	\$120,218,952	41%
Affordable Housing*	9	\$34,007,458	
Disadvantaged Community	9	\$120,218,952	
Integrated Connectivity Project (ICP) Project Areas	12	\$129,736,223	45%
Affordable Housing*	12	\$101,367,704	
Disadvantaged Community	10	\$37,854,475	
Rural Innovation Project Areas (RIPA)	4	\$39,484,656	14%
Affordable Housing*	4	\$36,661,232	
Disadvantaged Community	3	\$28,802,516	

* Includes costs related to Affordable Housing Development and Housing-Related Infrastructure

Affordable Housing

Every project being recommended for an AHSC award will fund affordable housing development and related infrastructure. Approximately 80% of the total funds will go towards affordable housing and related infrastructure, exceeding statutory requirements to fund at least 50 percent of the total AHSC program for affordable housing. When completed, the recommended project areas will provide more than 2,260 units of affordable housing to a range of incomes. 21 of the 25 recommended affordable housing developments are 100 percent affordable projects.

TABLE 4		
Summary of Affordable Housing Units Funded by AHSC		
Recommended AHSC Awards with Affordable Housing	25	awards
Total Affordable Units Funded	2,260	units
Extremely Low Income (Less than 30% Area Median Income)		
Units Funded	1,503	units
Very Low Income (Between 30-50% Area Median Income)		
Units Funded	551	units
Low Income (50-80% Area Median Income)		
Units Funded	157	units

Disadvantaged Communities

85 percent, or more than \$246 million in AHSC funds recommended in this fiscal year will benefit Disadvantaged Communities. This amount well exceeds the statutory requirements of SB 857 to invest at least 50 percent of AHSC funding to benefit Disadvantaged Communities, as identified by the CalEnviroScreen 2.0 tool. The recommended projects reflect critical needs for affordable, compact development in close proximity to transit in our most impacted and disadvantaged communities. \$88.4 million of these AHSC funds will specifically go towards that benefit a disadvantaged community ranked in the top 5% percentile of CalEnviroScreen 2.0.

TABLE 5			
Recommended AHSC Funding Providing Benefits to Disadvantaged Communities			
	Number of Projects	Total Dollars Requested	Percentage of Total Requested
Total Projects	25	\$289,439,831	
Projects Providing Benefits to Disadvantaged Communities	22	\$246,875,943	85%
Located Within	19	\$214,144,023	73%
CalEnviroscreen 2.0 Score			
96-100	8	\$83,838,365	
91-95	3	\$33,538,094	
86-90	4	\$49,904,711	
81-85	3	\$34,772,140	
76-80	1	\$12,090,713	
Within 1/2 Mile Walkable	2	\$16,675,357	6%
CalEnviroscreen 2.0 Score			
96-100	1	\$4,646,731	
91-95	0	\$0	
86-90	1	\$12,028,626	
81-85	0	\$0	
76-80	0	\$0	
25% of Project Work Hours by Residents of a DAC	1	\$16,056,563	6%
CalEnviroscreen 2.0 Score			
96-100	0	\$0	
91-95	0	\$0	
86-90	1	\$16,056,563	
81-85	0	\$0	
76-80	0	\$0	
Not Providing Benefits to Disadvantaged Communities	3	\$42,563,888	15%

Sustainable Transportation Infrastructure and Transit Improvements

All projects recommended for funding also connect affordable housing and key destinations to transit – including bus, bus rapid transit, light rail, heavy rail, commuter rail, and vanpool services with active transportation modes –predominantly bicycling and walking infrastructure. More than \$55.4 million in AHSC funding, or 20 percent of the total funding available, is being allocated for use on bicycle and pedestrian infrastructure, transit station area improvements, transit service and Intelligent Transportation Systems, and other transportation improvements supporting critical connectivity between housing, key destinations, and transit. All of the projects being recommended for award include some form of transportation related investments.

Of the transportation investments, 87 percent of the investments will be in Sustainable Transportation Infrastructure (STI) rather than Transportation Related Amenities (TRA). This is a big shift in the types of transportation investments occurring through AHSC, which saw a majority of transportation dollars go towards amenities in Round 1. Sustainable Transportation Infrastructure investments are essential in increasing access through walking, biking, and transit, and are the transportation investments that are the most essential to encouraging mode shift. AHSC awards will also fund annual transit passes, other ridership programs, and active transportation education and outreach programs necessary to achieve transportation mode shift. Examples of extensive transportation investments by projects recommended for award include:

- The proposed Redding Downtown Loop and Affordable Housing Project converts portions of Market, Butte and Yuba streets to complete streets and constructs a protected bike lane connecting the historic Diestelhorst Bridge and Sacramento River Trail to Downtown Redding, where the housing development is located.
- The 7th & Witmer project in Los Angeles installs pedestrian lights; repairs and replaces street trees and sidewalks; builds curb extensions to calm traffic; and creates bus zones near its affordable housing development. A Metro Bike Share Station with 18 bicycles along with two years of startup operations and maintenance is another key aspect of the proposal.
- The Kings Canyon Connectivity Project in Southeast Fresno provides improved walking paths, dedicated bike paths and crosswalks, which connect residents to various amenities including retail, social services, education, employment opportunities and planned Bus Rapid Transit services.

Geographic Distribution of Awards

2015-16 AHSC award recommendations reflect a diversity of geographic locations throughout the State, reflecting regional priorities for both affordable housing development and transportation and transit investments. While the MTC region has the highest number and dollar value of awards recommended, at 33.69% of the total funds, the SCAG region has the highest success rate out of the applications competing in the full application process, with 53.46% of their full applications being awarded. Ten of the twelve regions competing within the full application round are being recommended for awards. These numbers are a significant improvement in geographic disbursement statewide in comparison to Round 1 of AHSC funding.

However, the Staff recognizes that many challenges still remain to ensuring a more equitable disbursement of awards statewide. AHSC program staff have been proactive in addressing geographic distribution concerns from Round 2 since the Concept Phase. Beginning in March of this year, SGC has been implementing a statewide outreach strategy focused on the San Joaquin Valley and Southern California. This outreach focuses on the following efforts:

- Informing local jurisdictions about the opportunities AHSC offers,

- Providing proactive consultation and technical assistance to future applicants.

Specific outreach efforts include one-on-one site visits and capacity building workshops in dozens of local jurisdictions throughout the State to help prepare applicants for Round 3. These workshops are adapted according to the nature of the information presented and the stakeholders in attendance, having been carried out in locations including Tulare, Merced, Fresno, Riverside, Imperial, San Bernardino, Orange, and Ventura counties.

As a result of outreach thus far, AHSC Program Staff developed a tracking process for potential AHSC projects, focusing on areas where we have seen less participation and a high concentration of disadvantaged communities. Additionally, AHSC outreach has created a mechanism to build new relationships with stakeholders and potential applicants in communities new to AHSC. ASHC Staff plan to continue tracking projects and working with partners to ensure these projects continue to develop into strong opportunities for AHSC to benefit our state’s most disadvantaged communities.

TABLE 6		
2015-16 AHSC Applications by Region		
Metropolitan Planning Organization	# of Concept Apps Submitted	# of Apps Invited to Full App Round
Metropolitan Transportation Commission	40	28
Southern California Association of Governments	37	21
San Diego Association of Governments	6	6
Sacramento Area Council of Governments	8	6
Fresno Council of Governments	7	4
Kern Council of Governments	6	4
Association of Monterey Bay Area of Governments	4	2
Tulare Council of Governments	4	2
San Joaquin Council of Governments	2	1
Butte County Association of Governments	1	1
Santa Barbara County Association of Governments	1	1
Shasta Regional Transportation Agency	1	1
Stanislaus County of Governments	1	1

Multi-MPO	1	1
Non-MPO	9	7
TOTAL:	130	86

Table 7 Geographic Breakdown of Applications and Awards						
MPO	Full Applications Submitted (Excludes 4 Ineligible Applications)		Full Applications Recommended for Funding			
	Dollars Requested	Applications submitted	Total Awards	Total Dollars	Percentage of Total Funding	% of Requested Dollars Awarded
MTC	\$244,897,668	23	7	\$97,460,507	33.69%	39.80%
SCAG	\$143,295,596	16	7	\$76,601,014	26.48%	53.46%
SACOG	\$30,527,608	5	1	\$11,881,748	4.11%	38.92%
SANDAG	\$51,521,375	5	1	\$12,090,173	4.18%	23.47%
FRESNO	\$21,318,156	2	2	\$21,318,156	7.37%	100.00%
Kern	\$35,195,054	4	1	\$18,637,432	6.44%	52.95%
SJCOG	\$8,941,370	1	1	\$8,941,370	3.09%	100.00%
Tulare	\$10,165,084	2	2	\$10,165,084	3.51%	100.00%
StanCOG	\$7,474,676	1	*1	\$1,661,667	0.57%	22.23%
SHASTA	\$20,000,000	1	1	\$20,000,000	6.91%	100.00%
AMBAG	\$5,497,119	1	0	\$0	0.00%	0.00%
SBCAG	\$8,989,608	1	0	\$0	0.00%	0.00%
Merced	\$0	0	0	\$0	0.00%	0.00%
Madera	\$0	0	0	\$0	0.00%	0.00%
Butte	\$0	0	0	\$0	0.00%	0.00%
Non-MPO	\$24,539,240	5	1	\$10,682,140	3.69%	27.39%
Multi -MPO	\$3,300,000	1	0	\$0	0.00%	0.00%
TOTAL		69	25	\$289,439,831	100.00%	

*The StanCOG application is receiving partial funding, due to the limitation of funds available.

Key Policy Issues for Consideration in Future Funding Rounds

Through the application process, including staff review, applicant consultation, and appeal processes, several issues of concern were identified which shall be considered in future guidelines. Through future updates to the program, the SGC strives to create stronger and more inclusive metrics in order to better quantify and capture the various impacts of a project.

- **GHG Reductions Associated with Senior Housing Projects.** Several projects were affected by how greenhouse gas reductions were considered for senior projects. The AHSC GHG Quantification Methodology applied the residential land use subtype classification of “retirement community” for proposed senior housing projects. The classification determination was made by AHSC staff based on trip generation assumptions that are more closely aligned with senior living than other subtypes. Staff intends to further explore the availability of research into passenger vehicle trip rates for various types of senior housing projects.
- **Lack of Data Availability for Bike Infrastructure Scoring Criteria.** As part of the policy scoring criteria related to location efficiency and bicycle infrastructure, the 2015-16 AHSC Guidelines apply data provided in walkscore.com, a privately developed metric for existing pedestrian and bicycle infrastructure (WalkScore and BikeScore). Many projects did not have a BikeScore for their project. While AHSC staff believes there is a strong correlation between projects that lack a BikeScore and poor bike infrastructure in the area, AHSC staff understands that this may not be true for all projects, and some projects may be adversely impacted due to the lack of an available score. Alternatives to BikeScore to achieve similar location efficiency objectives will be explored in Round 3.
- **Clarity and Streamlining Information Provided through Guidelines and Application Process.** In the second year of the AHSC program, significant progress has been made to enhance the quality and detail of communications prior to application submittal and during the application review process. We hope to continue improving our efforts to provide clear and useful guidance and feedback, which translates across disciplines and documents, in the next round of AHSC Program activities.

Technical Assistance

The Budget Act of 2015 (Chapter 321, Statutes of 2015) appropriated \$500,000 in Greenhouse Gas Reduction Fund monies for a pilot technical assistance program for the Affordable Housing and Sustainable Communities (AHSC) Program. Administered by the Strategic Growth Council, the program aims to maximize GHG reductions for projects located in disadvantaged communities. SGC staff has worked alongside three contracted technical assistance teams to provide direct application assistance to select applicants for the current 2015-2016 AHSC cycle.

For the purposes of the Pilot, SGC-sponsored technical assistance (TA) was available for applicants whose projects were located in disadvantaged communities that were unsuccessful in securing funding during the 2014-2015 funding cycle. TA was available for both Concept and Full Application phases, with the TA Providers also charged with performing capacity-building activities for their respective regions.

Approximately half of the applicants that were eligible to participate in the Pilot submitted Concept Proposals in this Round (30 out of 62), with approximately half of those that applied subsequently invited to submit a Full Application (17 out of 30). Of the 17 that submitted Full Applications, five (5) are

represented in the staff recommendations for funding. This represents 20% of the total AHSC awards for 2015-2016.

SGC has contracted UC Davis researchers to conduct a third-party evaluation of our Pilot TA program, including feedback on program structure, TA recipient experience, TA provider expertise, and success of the program. The evaluation will include recommendations to SGC for future technical assistance opportunities, and can help inform outreach and assistance across a variety of GGRF programs.

Next Steps and Timeline

Updates to Round 3 Guidelines

AHSC Program Staff have been gathering informal and anecdotal feedback throughout the year on potential improvements and changes to the AHSC guidelines, as well as to the AHSC application process. Now with the results of the second round of funds, AHSC Program Staff plans to conduct more formal listening sessions to gather specific feedback on aspects of the AHSC program as part of a thorough effort to make meaningful improvements to the program.

AHSC will be scheduling informal lessons-learned workshops based on AHSC Round 2 experiences in the remaining months of 2016. These sessions will address a variety of aspects of the program, including but not limited to the following specific topics:

- Definitions of “Qualifying Transit” and “High Quality Transit”
- Transportation Readiness Requirements
- Housing Density
- GHG Reduction Quantification Methodology
- Joint and Several Liability Provisions
- Workforce Development
- Anti-Displacement Provisions
- Bike Infrastructure Data as a replacement metric for WalkScore/BikeScore
- Geographic and/or Regional Targets

Following these listening sessions, AHSC Program Staff will revise the AHSC guidelines based on the gathered feedback and release Round 3 draft program guidelines in Winter 2017. Additional workshops will be conducted regarding those revisions and an open comment period will allow stakeholders to submit more suggestions and feedback. AHSC Program Staff anticipates Council approval of revised Year 3 guidelines in the spring of 2017.

AHSC Program Staff anticipates a summer 2017 release of the Round 3 application, which is later than the previous year. This schedule will accommodate several moving pieces:

- Allow for a robust feedback process to make meaningful changes to the AHSC guidelines
- Consider changes to the application process and applicant experience
- Allow for at least three (3) quarterly Cap and Trade auctions to occur in order to have an accurate assessment of available funds for 2016-2017 FY
- Proactive technical assistance and consultation with prospective applicants, with an emphasis on Disadvantaged Communities

Figure 2: Tentative Schedule for AHSC Round 3	
<i>Quarterly Cap & Trade Auction</i>	<i>November 2016</i>
Listening Sessions on Lessons Learned in AHSC Round 2	Fall 2016
Release of Round 3 Draft Program Guidelines	Winter 2017
Stakeholder Meetings/Comments on Draft Guidelines	Winter 2017
<i>Quarterly Cap & Trade Auction</i>	<i>February 2017</i>
<i>TCAC Applications Due</i>	<i>Early March 2017</i>
Final Guidelines to Council for Approval	Spring 2017
<i>Quarterly Cap & Trade Auction</i>	<i>May 2017</i>
<i>TCAC Applications Due</i>	<i>Late June 2017</i>
Release of Round 3 Application	Summer 2017

Council Approval

Staff recommends Council approve the staff recommendation, as reflected in Appendix A of this staff report. This recommended list identifies a total of 25 projects, representing \$289,439,831 in GGRF funds, and would reduce approximately 350,000 metric tons. In the case that an awarded project does not satisfy conditions for receiving its award, or an awarded project decides to forego an award, staff will use the same methodology presented in this report to award the next highest ranking project in the respective category (TOD, ICP, RIPA, and most disadvantaged).

ATTACHMENTS:

Appendix A (Tables 1-3)

- FY2015-16 AHSC Funding Recommendations
- AHSC Full Application Submittals Not Recommended for Award
- AHSC Full Application Invites Not Considered for Full Application Scoring

Appendix B: Summary of FY2015-16 AHSC Recommended Projects

Appendix C: Map of FY2015-16 AHSC Recommended Projects