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May 11, 2023

Agenda Item 8.a.

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**Regional Early Action Planning Grant**

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**Subject:**

Recommend approval to the ABAG Executive Board of Updated Program Budget for the Regional Early Action Planning Grant of 2019 (REAP 1.0) and Proposed Re-programming and Authorization for the Executive Director (or his designee) to reallocate and expend any unspent REAP 1.0 funds, at his discretion, for eligible staff costs in an amount not to exceed a cumulative amount of up to \$500,000 if there are REAP 1.0 funds remaining after December 31, 2023, or within 3 months of the REAP 1.0 expenditure deadline, whichever is sooner.

**Background:**

Staff seeks Committee recommendation of approval of updated program budget for the Regional Early Action Planning Grant of 2019 (REAP 1.0) and proposed re-programming of certain funds to ensure full expenditure by the deadline.

As part of the FY 2019-20 State Budget, the Association of Bay Area Governments (ABAG) was awarded \$23,966,861 in one-time funding through the Regional Early Action Planning grant of 2019 (REAP 1.0) through the California Department of Housing and Community Development (HCD). Eligible uses of the funds are limited to supporting planning activities that would accelerate housing production and facilitate compliance with the 6<sup>th</sup> Cycle of the Regional Housing Needs Allocation (RHNA).

In November 2019, the Executive Board authorized staff to apply for an advance of \$5.9 million (25% of the grant). In November 2020, the Executive Board authorized staff to apply for the remaining \$18,066.861 (75%) of the grant. Although HCD's application process required two separate budgets, it was most efficient to administer the grant through a single, consolidated Expenditure Program. On June 17, 2021, the Executive Board adopted a consolidated Expenditure Program budget for the REAP 1.0 grant. This included allocating nearly \$11 million in subgrants to all 109 Bay Area jurisdictions and 7 subregional planning collaboratives, as well as providing a wide range of regional technical assistance products.

ABAG's REAP 1.0 funding is a "use it or lose it" grant that initially carried a December 31, 2023 statutory expenditure deadline. Accordingly, ABAG's funding agreement with the state incorporates the December 31, 2023 expenditure deadline and per state requirements also drives a September 30, 2023 local invoicing deadline. The legislature has extended the statutory deadline to December 31, 2024, however the state has not yet amended ABAG's funding agreement that contains the December 2023 deadline. The state has indicated that it plans to require ABAG to complete spending by June 30, 2024 which would drive a local invoicing deadline of April 2024. At this point, ABAG is bound by the December 2023 expenditure deadline in the funding agreement. Any unspent funds must be returned to the state.

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The one-time funding from the REAP 1.0 grant helped to launch the Regional Housing Technical Assistance Program, a new regional program that staff plans to sustain beyond the expenditure deadline for the initial REAP 1.0 funding source. The Regional Housing Technical Assistance Program has been well received throughout the Bay Area and recently received an American Planning Association Award of Excellence from the Northern California Chapter.

**Discussion:**

Since the consolidated program budget was adopted by the Executive Board in 2021, staff has tracked encumbrances and expenditures to monitor REAP 1.0 spending. Because of the “use it or lose it” nature of the grant, it is important to anticipate potential savings to ensure adequate time to reprogram funds for eligible activities. Staff recently reconciled the accounting for the REAP 1.0 grant as part of an annual report submitted to HCD and to support development of the FY 2023-24 ABAG and MTC budgets.

Based on trends in spend down, staff proposes a slightly updated program budget for the REAP 1.0 grant. The proposed updated budget is included as Table 1 in Attachment A. A summary by cost category is included as Table 2 in Attachment A, and reproduced below:

<b>Cost Category</b>	<b>Existing (June 2021)</b>	<b>Proposed Changes</b>
<b>Support Local Jurisdictions and County Collaboration</b>	\$10,880,000	\$0
<b>Staff</b>	\$6,666,629	\$529,949
<b>Consultant</b>	\$4,620,232	\$(498,235)
<b>Strategic Initiatives</b>	\$1,800,000	\$(31,714)
<b>Total:</b>	<b>\$23,966,861</b>	<b>\$0</b>

Notably, no changes are proposed for the suballocations of funding to local jurisdictions and county collaboratives. Anticipated savings in the consultant and strategic initiatives categories are proposed to be re-programmed to help defer staff costs incurred in support of the Regional Housing Technical Assistance Program, which are not fully covered by the REAP 1.0 grant. In effect, this results in reducing the overall consultant budget by roughly \$500,000 with a corresponding increase in the staff budget.

It is possible that some existing consultant contracts or suballocations to local jurisdictions may not fully spend the allotted funds. Any remaining funds from such contracts that come in “under budget” will need to be swiftly reprogrammed to meet the expenditure deadline. Consequently,

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staff also recommends approval of the following contingent delegation of authority to the Executive Director (or his designee) to ensure that any unspent funds can be nimbly re-programmed if necessary to avoid having to return funds to the State:

- If there are any unspent REAP 1.0 funds remaining after December 31, 2023, or within 3 months of the REAP 1.0 expenditure deadline, whichever is sooner, the Executive Director (or his designee) may at his discretion reprogram such unspent funds to eligible staff costs for technical assistance up to \$500,000.

The full amount of REAP funds are already included in the ABAG FY 2022-23 budget, and therefore this action does not require a budget amendment.

**Issues:**

None

**Recommended Action:**

ABAG Housing Committee: Recommend Approval to the ABAG Executive Board of Updated Program Budget for the Regional Early Action Planning Grant and Proposed Re-programming of Certain Funds to Ensure Full Expenditure by Deadline and Authorization for the Executive Director (or his designee) to reallocate and to expend such unspent REAP 1.0 funds, at his discretion, for eligible staff costs in an amount not to exceed a cumulative amount of up to \$500,000 if there are REAP 1.0 funds remaining after December 31, 2023, or within 3 months of the REAP 1.0 expenditure deadline, whichever is sooner.

BAHFA Oversight Committee: Information Item

**Attachments:**

- A. REAP 1.0 Updated Program Budget

**Reviewed:**



Andrew Fremier

**Table 1: Consolidated Three-Year REAP Expenditure Program**

Project Element and Components	Existing (June 2021)	Proposed
<b>Support Local Juridictions and County Collaboration</b>		
Initial set aside for each jurisdiction	\$2,180,000	\$ 2,180,000
Supplemental grants to jurisdictions based on Draft RHNA	\$3,000,000	\$ 3,000,000
Competitive grants to local jurisdictions	\$1,000,000	\$ 1,000,000
Grants to County Planning Collaboratives	\$4,700,000	\$ 4,700,000
<b>Total</b>	<b>\$10,880,000</b>	<b>\$10,880,000</b>
<b>Regional Technical Assistance</b>		
<ul style="list-style-type: none"> <li>• Provide regionally applicable Technical Assistance (TA) such as Housing Element support, data tools, policy research, training, Affirmatively Furthering Fair Housing, and coordination with HCD, etc.) as well as RHNA methodology support.</li> <li>• Support and other services for cross-region TA, including coordination of the County Collaboratives;</li> <li>• Respond to emergent needs and new priorities</li> </ul>		
Staff	\$4,563,622	\$ 5,394,780
Consultant Support	\$3,524,896	\$ 3,091,774
Strategic Initiatives	\$1,800,000	\$ 1,768,287
<b>Total</b>	<b>\$9,888,518</b>	<b>\$10,254,841</b>
<b>Housing Leadership Development and Community Engagement</b>		
<ul style="list-style-type: none"> <li>• Provide communications and messaging TA to local jurisdictions for Housing Element updates</li> <li>• Develop community engagement best practices and provide related technical assistance for local jurisdictions</li> <li>• Direct support to jurisdictions for public engagement, including translation, subscriptions to online engagement platforms, etc.</li> </ul>		
Staff	\$1,204,664	\$ 903,454
Consultant Support	\$795,336	\$ 730,223
<b>Total</b>	<b>\$2,000,000</b>	<b>\$1,633,677</b>
<b>Administration (5% of total grant)</b>		
Administration support to manage project finances, grant/legal compliance, and reporting requirements		
Staff	\$898,343	\$ 898,343
Consultant Support	\$300,000	\$ 300,000
<b>Total</b>	<b>\$1,198,343</b>	<b>\$1,198,343</b>
<b>Total</b>	<b>\$23,966,861</b>	<b>\$23,966,861</b>

**Table 2: Summary by Cost Category for Total Three-Year REAP Expenditure Program**

Cost Category	Existing (June 2021)	Proposed
Support Local Juridictions and County Collaboration	\$10,880,000	\$10,880,000
Staff	\$6,666,629	\$ 7,196,578
Consultant	\$4,620,232	\$4,121,997
Strategic Initiatives	\$1,800,000	\$1,768,287
<b>Total:</b>	<b>\$23,966,861</b>	<b>\$23,966,861</b>

Contingency: To ensure full spend down of grant funds, any unspent funds remaining at 12/31/23 or within 3 months of grant expenditure deadline, whichever is sooner, may be shifted to TA staff up to \$XXXX .

Expenditures may shift between elements within a category up to \$YYYY or across categories up to \$ZZZZ.