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COMMISSION**

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**Agenda Item 2**

***Memorandum***

TO: Bay Area Partnership Board

DATE: May 27, 2016

FR: Anne Richman, Director, Programming and Allocations

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

As discussed at the Partnership Board meetings this spring, staff has been developing potential approaches for the Commission's consideration for revisions to the second cycle of the One Bay Area Grant program (OBAG 2). These revisions are related to the increased revenue estimates and a potential approach for affordable housing and anti-displacement. This memo provides an overview of staff's recommended approach for both of these items.

**Increased Revenues**

As a result of the Fixing America's Surface Transportation Act (FAST), signed into law in December 2015, the Bay Area's share of federal Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds is estimated to increase approximately \$72 million through the end of the OBAG 2 cycle (FY18 - FY22). This unexpected boost in revenues presents an opportunity to address critical challenges facing the Bay Area, including housing affordability and congestion/transit crowding on key transportation corridors.

Additional funds are also available for distribution from MTC's existing exchange account. These funds originally came to the region as STP/CMAQ allocations, but were later exchanged for non-Federal funds through agreements with specific project sponsors. MTC is proposing to use \$10 million from this exchange account to create a pilot program under OBAG 2. Additional details on the pilot program are provided below in the recommended approach.

**Housing Considerations**

In adopting the OBAG 2 project selection and programming policies (MTC Resolution No. 4202) in November 2015, the Commission directed staff to develop a recommendation for potential affordable housing and anti-displacement policies. Since that time, staff has been working with the Partnership working groups and other stakeholders to develop a recommended approach.

Discussions have centered around three implementation concepts: an incentive approach that would provide a bonus for local jurisdictions that produce housing to help address the region's housing crisis, a direct investment in affordable housing preservation, or a regulatory approach conditioning the receipt of OBAG 2 funds on the adoption of local housing policies.

## **Recommended Approach**

Considering feedback received to date from the Commission, Bay Area Partnership Board, working groups, and stakeholder comments, staff has developed the following recommendation for distributing the additional FAST revenues and exchange account funds, and an approach for affordable housing and anti-displacement for the OBAG 2 program.

### **1. Additional FAST Revenues**

#### ***Regional Program: Bay Bridge Corridor Capacity Project***

Consistent with the adopted OBAG 2 framework, staff recommends directing 55% of the increased FAST revenues (\$40 million) to near-term regional transportation priorities. For this unexpected revenue, however, staff recommends focusing specifically on congestion relief and transit crowding on the Bay Bridge Corridor.

The San Francisco-Oakland Bay Bridge Corridor is the single most congested corridor in the region by a considerable margin. In 2015, the eastbound approach was again the most congested corridor in the Bay Area and the westbound approach was the second most congested. In total, this bridge corridor endures nearly 27,000 vehicle-hours of daily delay and carries 270,000 vehicles across the bay. The daily corridor delays for other east-west bay crossings are significantly lower by comparison. Transbay peak transit services are also at capacity with BART, buses and ferries all experiencing crush loads.

Given that vehicle demand exceeds capacity on the Bay Bridge, we must move more people in fewer vehicles to make more efficient use of the bridge's core capacity. Currently, assuming vehicles have an average of four seats, 48 percent of those seats are empty – this is unused capacity. But if we fill 16,000 empty seats per hour, this would be the equivalent of 70 percent of the BART tube capacity. Implementation of near-term, cost-effective operational improvements that offer travel time savings, reliability and lower costs for carpooling and bus/ferry transit use will not only increase person throughput but also reduce congestion, incidents, and emissions in the bridge corridor. The proposed near-term strategies that can be implemented over the next few years are as follows:

- **Operational Strategies:** a) To provide direct bus/HOV access to the toll plaza, convert the shoulder to a Bus/HOV lane on the West Grand Ave. on-ramp; b) to facilitate carpooling and bus access in the eastbound direction, institute tolling and violation detection on Sterling Street on-ramp; c) to make carpooling more accessible and convenient, establish more formal casual carpool pick-up/drop-off points in San Francisco and along the I-80 corridor through Alameda, Contra Costa and Solano counties; and d) deploy integrated corridor mobility technologies that connect the bridge metering lights with other technology deployments along I-80, I-580 and I-880 corridors that feed into the toll plaza.
- **Transit Core Strategies:** a) To meet unmet demand, increase ferry and express bus frequencies and services levels in high demand, congested corridors; b) to improve express bus travel time reliability and speeds, deploy arterial technologies and transit signal priority on major arterials; and c) to facilitate greater ridesharing, provide more commuter parking facilities.

- **Shared Mobility Strategies:** a) to take advantage of new and growing shared mobility services, at no cost, identify ways to encourage and direct these services to operate within the bridge corridor and b) to boost vanpooling, provide easy ways for vanpool formation.

The \$40 million in OBAG 2 funds would leverage current congestion relief efforts and shore up transit funding for near-term capacity expansion projects within the Bay Bridge Corridor.

***Housing Production Incentive: “80K by 2020 Challenge”***

Staff recommends directing the remaining 45% of the additional FAST revenues (\$32 million) to local jurisdictions that produce low and moderate income housing. Staff proposes to distribute the funds through a challenge grant program for the local jurisdictions that produce the most housing units at the very low, low, and moderate income levels.

The proposed concept for this program is to set a six year target for production of low and moderate income housing units (2015 through 2020), based on the housing unit needs identified through the Regional Housing Needs Allocation (RHNA) for 2014-22. The target for the proposed challenge grant period is 80,000 low and moderate income units (35,000 very low, 22,000 low and 25,000 moderate units).

At the end of the production challenge cycle, MTC will distribute grant funds to the jurisdictions that contribute the most toward reaching the regional production target. To keep the grant size large enough to serve as an incentive for housing production, the grant program would be limited to no more than the top ten producers of affordable housing units, or fewer, if the 80,000 unit target is reached by less than ten cities. Staff will provide annual progress reports on production of affordable housing units.

Staff also recommends limiting the program to jurisdictions with adopted Priority Development Areas (PDAs), although affordable housing production could occur anywhere within the jurisdiction. The funds provided would be STP/CMAQ, and would need to be used only for federally eligible transportation purposes.

## **2. Housing Investment**

***Affordable Housing Pilot: Naturally Occurring Affordable Housing (NOAH)***

In addition to the \$72 million in FAST revenues, staff recommends directing \$10 million in existing exchange account funds to develop a revolving loan for the preservation of existing affordable housing. The Naturally Occurring Affordable Housing (NOAH) fund will complement current TOAH loan products for new construction by buying apartment buildings to create long-term affordability where displacement risk is high and to secure long-term affordability in currently subsidized units that are set to expire. Staff suggests the following conditions of approval for the NOAH investment:

- I. MTC’s investment in NOAH will be leveraged at least 5:1, creating an investment pool of \$50 million.
- II. NOAH investments will be made in Priority Development or Transit Priority Areas.

### **3. Base OBAG 2 Program Proposed Revisions**

#### ***Regional Priority Development Area (PDA) Planning: Program Revisions***

As adopted, the Regional PDA Planning program provides technical assistance and planning support to local jurisdictions through a grant program in order to achieve the land uses set forth in Plan Bay Area. Staff encourages jurisdictions facing the pressures of displacement and affordable housing impacts to apply for the use of these funds to tackle these issues; applications from jurisdictions facing these pressure will be awarded extra points during application scoring. In addition, staff recommends including a revision to the program to direct \$1.5 million from the Regional PDA planning funds to update Community Based Transportation Plans (CBTPs) in communities at risk of displacement.

#### **Additional Considerations**

At the request of stakeholders and interested parties, staff also considered requiring local adoption of affordable housing and anti-displacement policies as a requirement to receive OBAG 2 funding. While this regulatory approach could encourage some jurisdictions to adopt additional housing policies, the impacts appear to be misdirected, with burdens falling predominantly on smaller or more rural jurisdictions, rather than the cities facing the brunt of the housing affordability crisis. As a result, any impact from this requirement would be minimal in terms of addressing the issue at a region-wide level. Some jurisdictions facing the greatest pressures of displacement and affordability, San Francisco, Berkeley, San Jose, and Oakland for example, have already adopted numerous policies and protections, and would thus be unaffected by this requirements-based approach. Conversely, a disproportionate impact would likely be placed on smaller or more rural jurisdictions, such as Vacaville, Colma, and Lafayette.

#### **Recommended Approach - Summary**

| <b>Program</b>   | <b>Amount</b> | <b>Fund Source</b> | <b>Additional Information</b>  |
|--|---------------|--------------------|--|
| Bay Bridge Corridor Capacity Transportation Investment | \$40 million  | FAST Revenues      | Regional Priority Corridor: <ul style="list-style-type: none"> <li>• Bay Bridge Corridor Capacity Project</li> </ul>   |
| Local Housing Production Incentive                     | \$32 million  | FAST Revenues      | 80K by 2020 Challenge: <ul style="list-style-type: none"> <li>• Top producers (up to 10)</li> <li>• 2015-2020 (6 years)</li> <li>• 82,000 regional target</li> <li>• Funds must be used for STP/CMAQ eligible transportation purposes</li> </ul> |
| Affordable Housing Pilot Investment                    | \$10 million  | Exchange Account   | Naturally-Occurring Affordable Housing (NOAH): <ul style="list-style-type: none"> <li>• Pilot revolving fund for preservation of affordable housing</li> </ul>   |

|                       |              |                |   |
|-----------------------|--------------|----------------|---|
| Regional PDA Planning | \$20 million | Adopted OBAG 2 | Revisions to adopted program: <ul style="list-style-type: none"> <li>• Technical assistance and planning support related to affordable housing/anti-displacement</li> <li>• Direct portion of program to Community Based Transportation Plans (CBTP) updates</li> </ul> |
|-----------------------|--------------|----------------|---|

## Timeline

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.

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

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