

## Metropolitan Transportation Commission Programming and Allocations Committee

November 8, 2017

Agenda Item 4a

### Affordable Housing and Sustainable Communities Program Regional Criteria

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**Subject:** Update to the regional prioritization criteria for the Cap and Trade Affordable Housing and Sustainable Communities (AHSC) program for the third round funding cycle.

**Background:** The AHSC program is funded through Cap and Trade auction revenues and aims to reduce greenhouse gas emissions through projects that implement land-use, housing, transportation, and agricultural land preservation practices to support infill and compact development, and that support related and coordinated public policy objectives. Through the first two rounds, 19 projects in the Bay Area have been awarded over \$157 million in program funds (to construct 1,758 units), representing 35% of the statewide amount.

The current AHSC cycle is a \$255 million call for projects, with applications due to the state on January 16, 2018. Metropolitan Planning Organizations such as MTC have two formal roles in the program: (1) reviewing applications from the region to determine if proposed projects support the implementation of the regional Sustainable Communities strategy; and (2) identifying and recommending applications that meet the highest regional priorities based on criteria established by the MPO. The Strategic Growth Council (SGC), which administers the program, maintains final project selection authority but may use MPO-prioritized lists to inform award selections. In July, the SGC adopted revised program guidelines that continue the general direction of the program, streamline the process for applicants, and take into account feedback regarding program scoring and requirements.

Staff proposes updates to the regional prioritization criteria, including encouraging locating affordable housing in High Opportunity Areas, while still overall emphasizing investments that benefit Communities of Concern and Disadvantaged Communities; considering unit size (to encourage housing for families) when emphasizing projects that provide a greater share and total number of affordable units; and considering cost-effectiveness of projects in provision of housing. Other minor updates are proposed to align with revised state guidelines and to reflect the MTC/ABAG staff consolidation. Attachment A contains the revised principles. Staff will return to the Commission in the winter with recommendations for project endorsements to forward to the SGC.

**Issues:** In October, staff communicated with SGC staff on potential funding opportunities in the current or future AHSC rounds to replace housing stock lost in the recent North Bay fires. While no formal SGC action has been taken to date, MTC staff will continue to track opportunities with SGC.

**Recommendation:** Refer the Regional Criteria for Prioritizing Applications under the Affordable Housing and Sustainable Communities Program to the Commission for approval.

**Attachments:** Attachment A: Regional Criteria for Prioritizing Applications under the Affordable Housing and Sustainable Communities Program

## Regional Criteria for Prioritizing Applications under the Affordable Housing and Sustainable Communities Program

### Overview

The Affordable Housing and Sustainable Communities (AHSC) final guidelines provide regional agencies an opportunity to advise on AHSC project selection. After an initial screening of applications for Plan Bay Area 2040 supportive elements, MTC staff will review applications and make project recommendations to the Commission for approval and transmittal to the Strategic Growth Council (SGC). The role for regional agencies in this process is advisory, meaning that SGC has the ultimate project selection authority.

### Regional Bid Target

Based on program results thus far, MTC proposes a regional program target of 40%, and will prioritize applications for up to 60% of the available funding.

### Project Prioritization Process

MTC staff proposes to conduct a **project prioritization process** to provide SGC with a set of regional priority projects, based on the following principles. Although these criteria are not “thresholds” that must be achieved, staff will look most favorably on applications achieving most to all of the following elements, which are listed here roughly in rank order of importance:

- 1. Significant Greenhouse Gas Reduction (GHG).** Prioritize projects that demonstrate significant GHG reduction. While the SGC will employ a statewide methodology in the final applications for quantifying GHG benefits, MTC staff also reserves the right to conduct additional GHG analysis as needed using a regional methodology.
- 2. Support Plan Bay Area 2040’s Focused Growth Investment Strategies.** Develop priorities for each of the three project area types: Transit Oriented Development (TOD), Integrated Connectivity Project (ICP), and Rural Innovation Project Area (RIPA). Prioritize projects including affordable housing developments. Where applicable, prioritize ready-to go projects within Priority Development Areas (PDAs) in high growth jurisdictions and corridors that provide access to jobs and services. Prioritize projects providing both a greater share and total number of affordable units, while also considering unit size, to address concerns about community stability and displacement. When applicable, also prioritize projects that provide funds for active Transit Oriented Affordable Housing (TOAH) projects, all of which have a strong nexus to transit and PDAs and have ownership of land for development. Projects that meet the criteria for TOAH and are at the same state of readiness will also be considered favorably.

3. **Level of Housing Affordability.** For proposals including an affordable housing development as a capital project, prioritize projects in a manner consistent with the Strategic Growth Council's AHSC scoring criteria, which places the highest priority on rental restricted units for households at lower percentages of Area Median Income.
4. **Communities of Concern/Disadvantaged Communities.** Prioritize projects located in or providing benefits to the region's Communities of Concern as well as CalEPA's defined Disadvantaged Communities. Prioritize projects that provide affordable housing in High Opportunity Areas.
5. **Support for the Region's Adopted Transit Priorities.** Prioritize projects that support the Commission's adopted transit priorities. These include the Regional Transit Expansion program of projects (Resolution 3434), Plan Bay Area 2040's regional transit funding priorities, projects under the Core Capacity Challenge Grant program, projects that support the implementation of the Transit Sustainability Project, and recommendations of the Coordinated Public Transit-Human Services Plan.
6. **Funding Leverage/Cost Effectiveness.** Prioritize projects leveraging other funding sources for local match, and projects providing greater amounts of housing at lower costs
7. **OBAG Policy.** When applicable, OBAG's policy requirements should be applied to help determine a project's alignment with the SCS. These requirements include adherence with state and regional Complete Streets policies, General Plan Housing Element adoption and certification, and Surplus Land requirement. These policies should be applied based on the jurisdiction of where the project is located (rather than whether the local jurisdiction is listed as co-applicant).