



METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Commission

DATE: November 21, 2018

FR: Executive Director

RE: Transportation Funding Conditioning / Housing Outcomes

In October 2017, in conjunction with the adoption of the 2018 Regional Transportation Improvement Program policies and procedures, the Commission tasked MTC/ABAG integrated staff with developing housing condition criteria that would consider all transportation funding sources, as a means of encouraging the production and preservation of affordable housing to meet the needs identified in Plan Bay Area 2040.

The attached presentation is intended to guide and inform the workshop discussion on this topic, and includes background information as well as a series of options for your consideration. We look forward to your feedback.



Steve Heminger

SH:tr

Attachments: Transportation Funding / Housing Linkages Presentation

Transportation Funding / Housing Linkages

Commission Workshop
November 28 – 29, 2018
Agenda Item #3



Presentation Overview



Context: Advancing the Regional Housing and Transportation Agendas

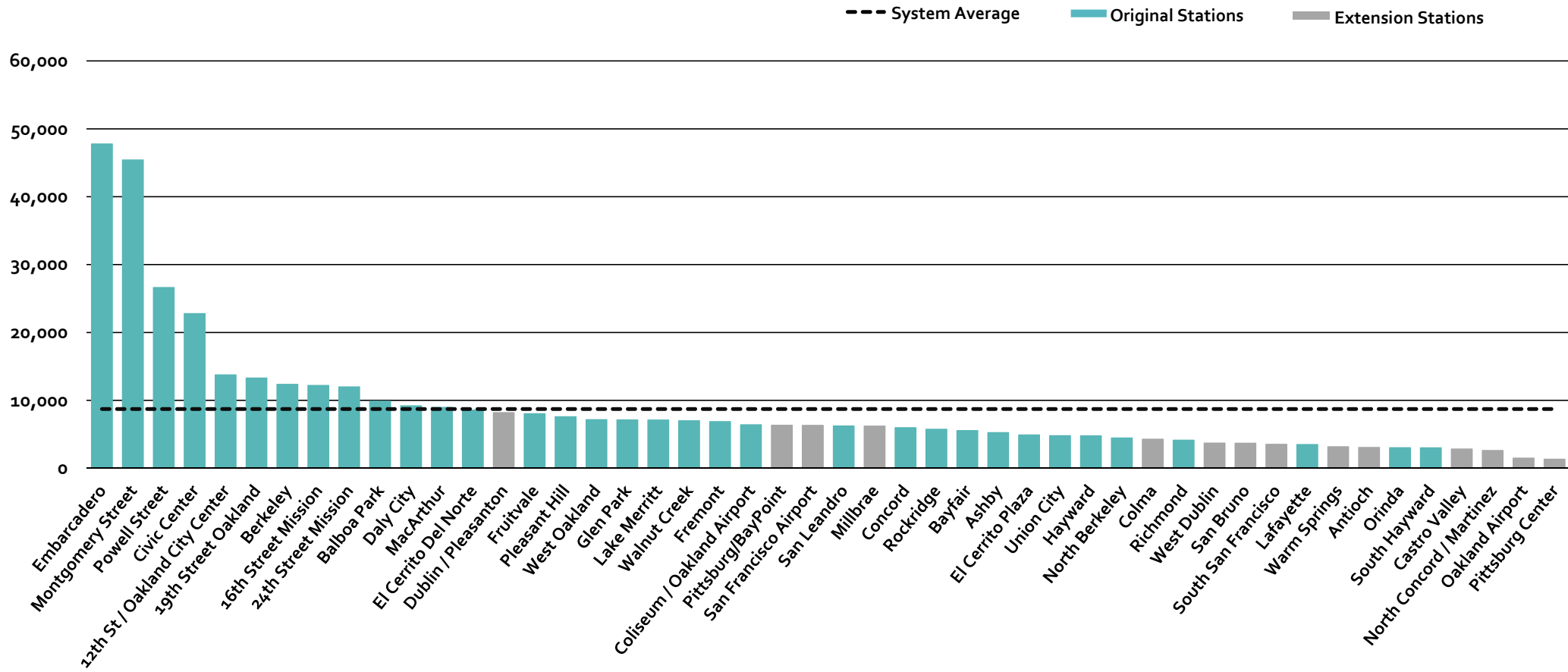
Transportation Funding Overview

Transportation Funding / Housing Linkages → Potential Approaches

FY 2018-19 Typical Weekday BART Exits

Original Stations and Extension Stations

Updated - November 2018



Housing Incentive / Conditioning History

October 2017

MTC adopted 2018 RTIP

- ❖ **Augmented the HIP program** with \$46 million RTIP set-aside
- ❖ **Directed staff to:**
 - ✓ 1. Develop **HIP program** distribution proposal
 - ✓ 2. Survey jurisdictions for **compliance with housing laws**

November 2018

- ★ 3. Develop **housing conditioning criteria** to consider for **all funding sources**

Housing Incentive / Conditioning History

RTIP Policy Discussion (2017)

2018 RTIP – Potential Strategies

Options Presented to Committee

- **Option A: Carrot + Stick | 2018 RTIP**
 - 15% eligibility threshold with no exceptions
 - 5 projects potentially ineligible in 2018 RTIP
- **Option B: Carrot + Stick | 2018 RTIP**
 - 15% eligibility threshold with corridor averaging
 - No projects expected to be ineligible in 2018 RTIP
- **Option C: Carrot + Prospective Stick | 2020 RTIP**
 - 2018 RTIP not affected
 - Additional evaluation on framework for 2020 RTIP

MTC Actions to Advance the Regional Housing Agenda



MTC's Resolution 3434 TOD Policy

Corridor Housing Unit Thresholds – Average per Station Area (1/2 mile)

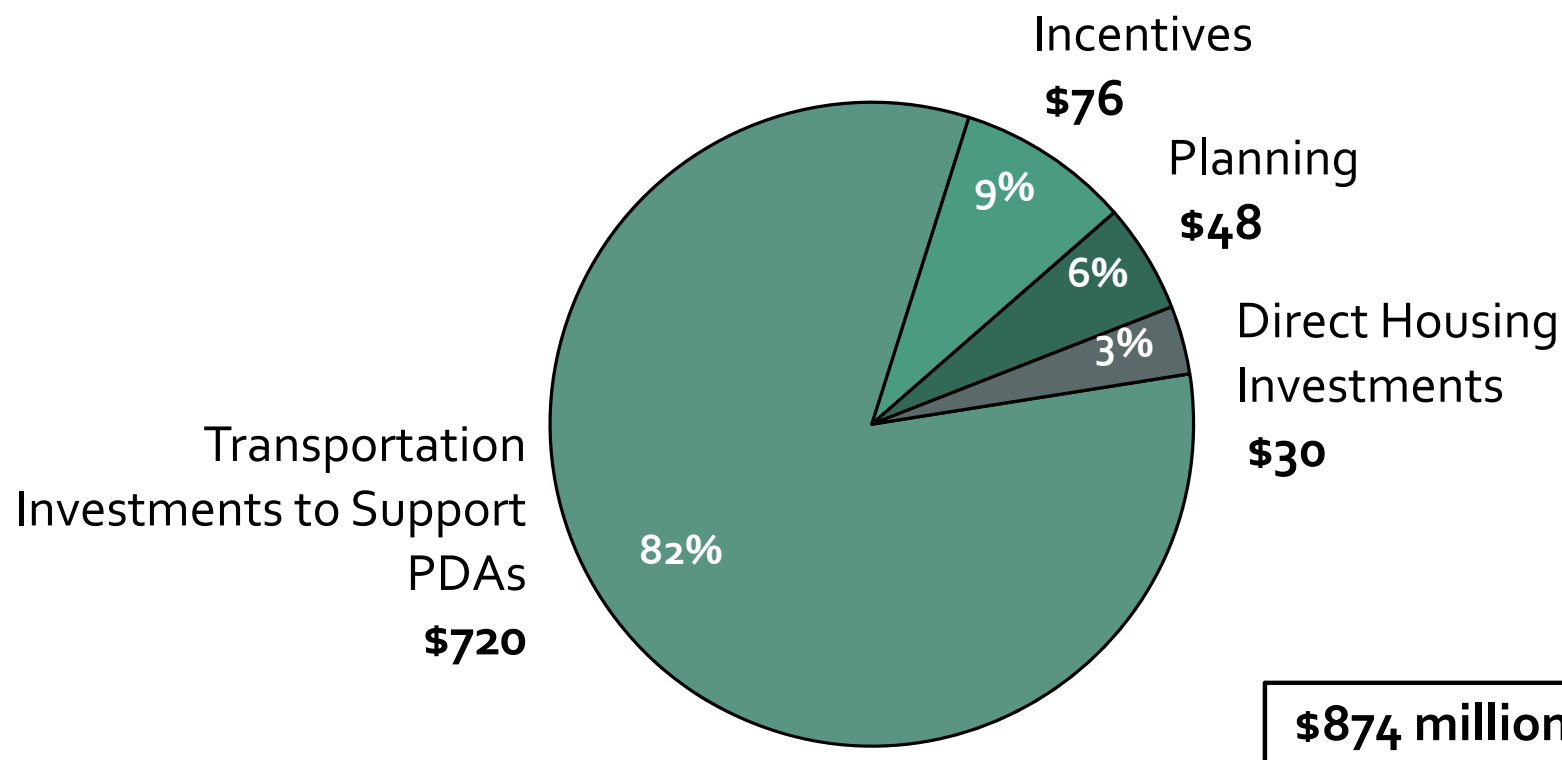
Project Type	BART	Light Rail	BRT	Commuter Rail	Ferry
Housing Thresholds	3,850	3,300	2,750	2,200	2,500

- ❖ Adopted 2005
- ❖ Land use must support new transit investments
- ❖ Sets minimum housing thresholds along expansion corridors as a condition of transportation funding
 - ❖ New below-market rate units receive 50% bonus towards achieving thresholds
- ❖ Most Res 3434 projects have now been built

PDA-Supportive Funding: OBAG 1+2

Regional Programs to Support PDAs and Affordable Housing

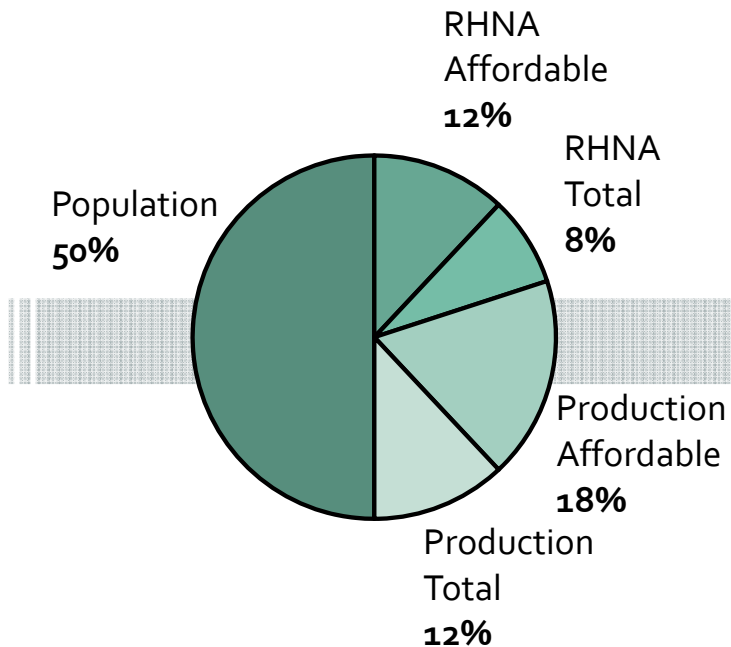
FY13-FY22, in millions



\$874 million

OBAG 1 + 2 Distribution

County Distribution Formula



County Funding Amounts

County	Amount
Alameda	\$143
Contra Costa	\$104
Marin	\$22
Napa	\$15
San Francisco	\$87
San Mateo	\$61
Santa Clara	\$196
Solano	\$41
Sonoma	\$52
Total:	\$720

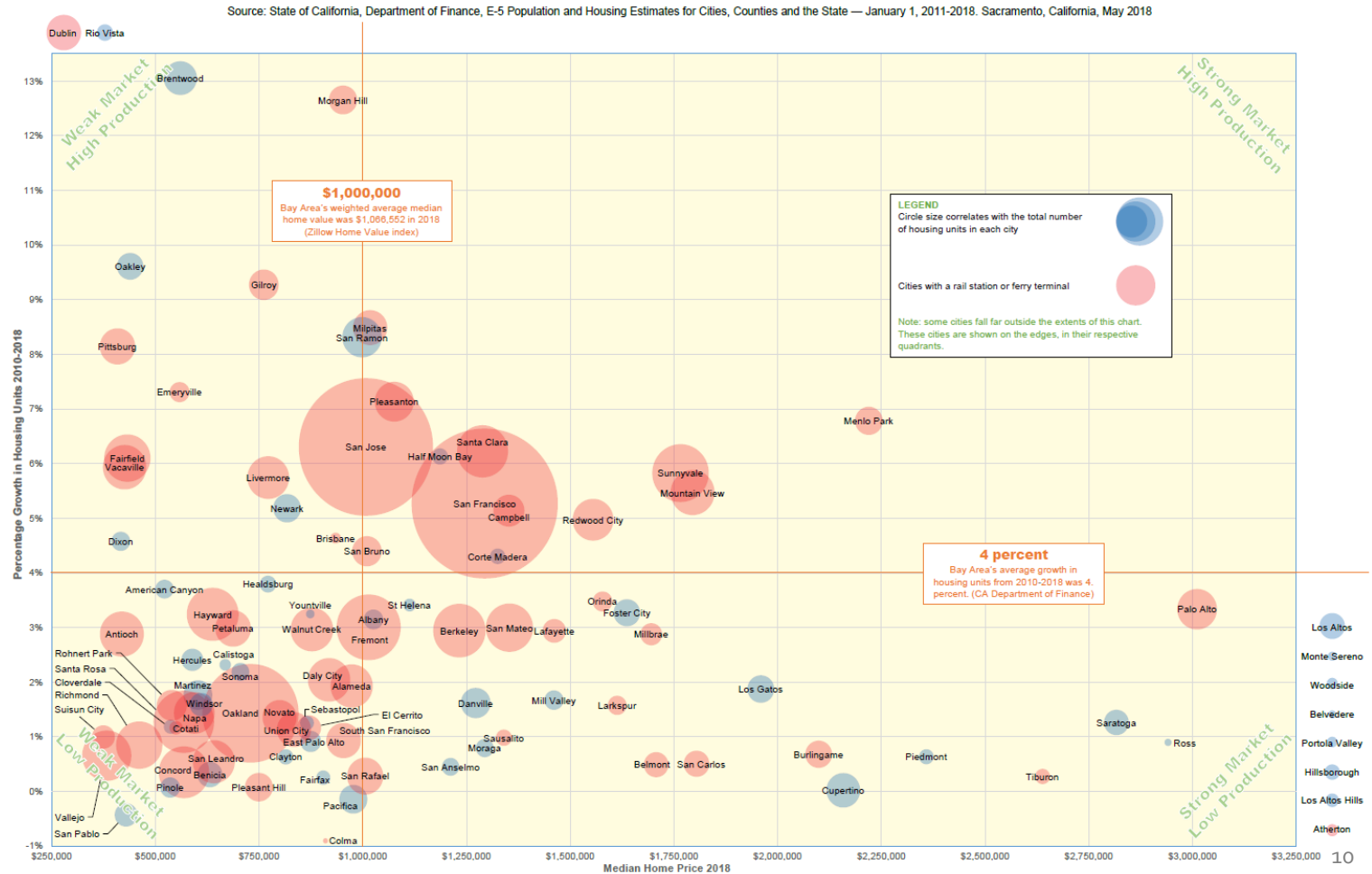
FY13-FY22, in millions

Investments are concentrated in PDAs

- 50% minimum in North Bay counties
- 70% minimum in remaining counties

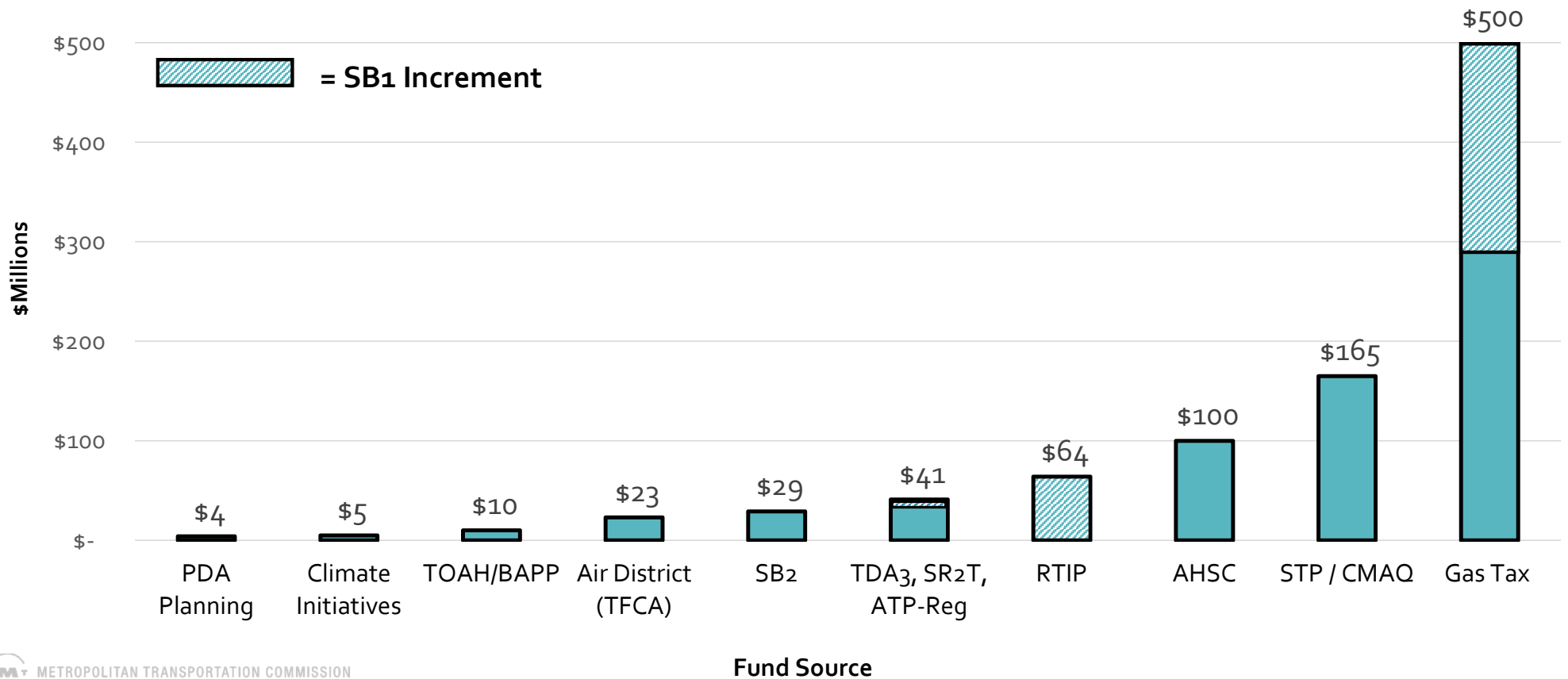
Market Strength and Housing Performance

Market strength and proximity to regional transit contribute to jurisdictions' suitability for housing production



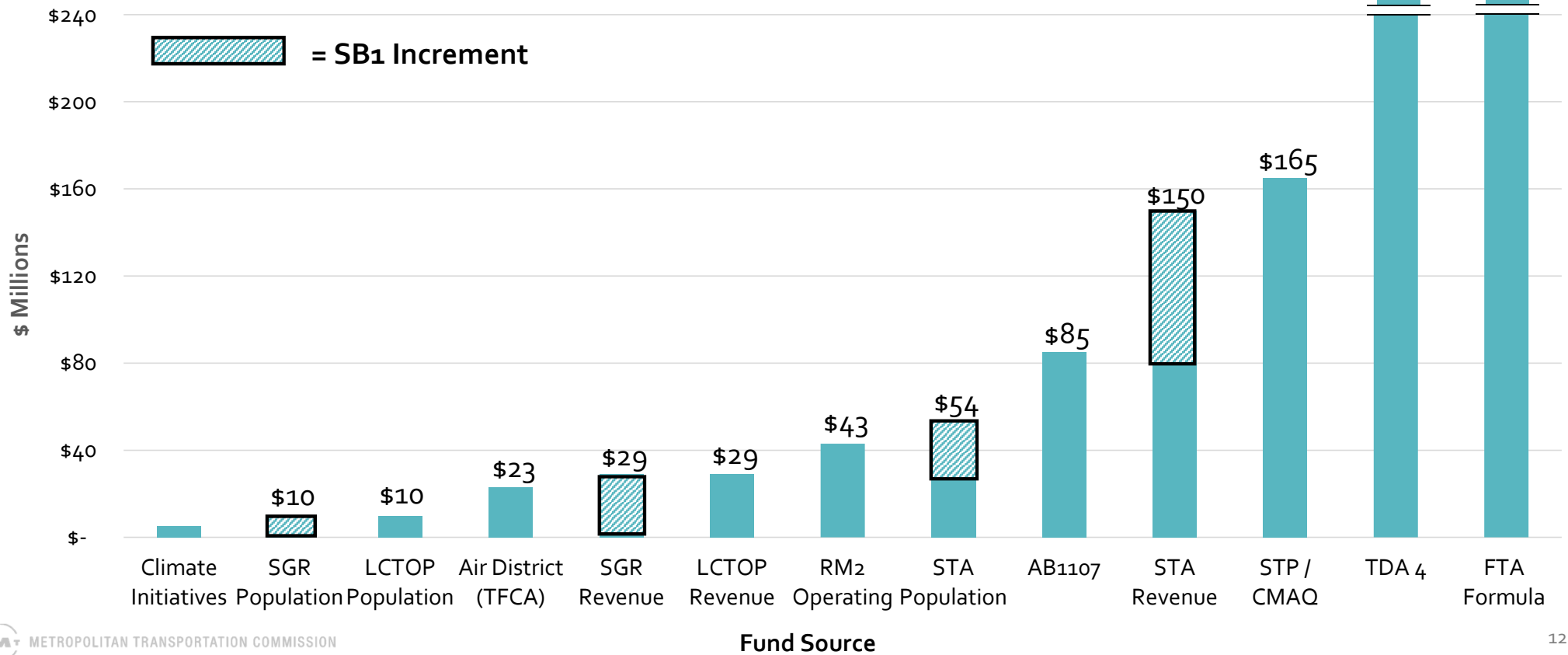
Funding Overview –

Funding Sources Dedicated to Local Jurisdictions



Funding Overview –

Funding Sources Dedicated to Transit



Transportation / Housing Funding Linkage

Comprehensive Approach

Focus on funds that:

1. Are large enough to matter;
2. MTC has discretion over; and/or
3. Are directed to municipal jurisdictions

** Gas Tax conditioning would require change in state law*

Transportation Funding Sources – Matrix of Potential Linkages to Housing

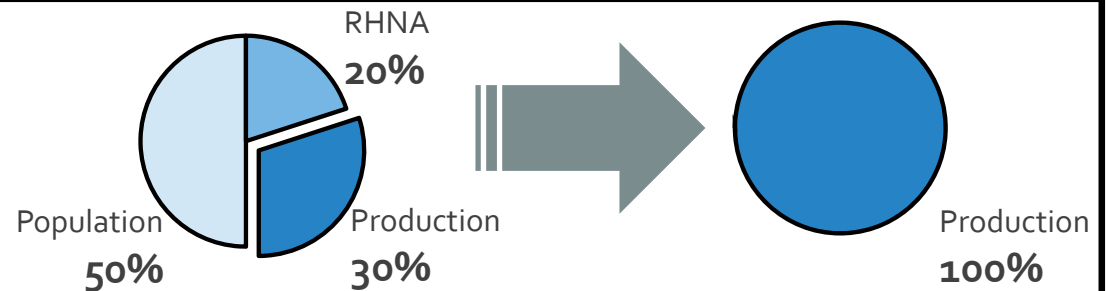
1. Large Enough to Matter	2. MTC Discretion	3. Municipal Recipient	Fund Source	Annual Revenue	Major Funding Purpose
✓	✓	✓	STP/CMAQ – County Program	\$77	Multiple
✓		✓	Gas Tax Subventions*	\$500	Local Roads
✓	✓		STP/CMAQ – Regional Program	\$95	Multiple
✓	✓		STA/SGR/LCTOP – Pop. Based	\$74	Transit Ops/Cap
✓	✓		STIP	\$64	Hwy Capital
	✓	✓	ATP, SR ₂ T, TDA ₃	\$41	Bike/Ped
✓		✓	SB ₁ -LPP Formula	\$23	Multiple
✓	✓		FTA Formula	\$423	Transit Capital
✓	✓		TDA ₄	\$350	Transit Ops
✓	✓		STA/SGR/LCTOP – Rev. Based	\$208	Transit Ops/Cap
✓	✓		AB ₁₁₀₇	\$85	Transit Ops
✓			SB ₁ Competitive		Multiple

Conditioning Approaches for Consideration

1	Change OBAG₃ County-Share Formula to be Based Entirely on Housing Production	\$77 million/year
2	Expand OBAG-Style Conditioning to Other Fund Sources with MTC Discretion	\$105 million/year
3	Support Public Agencies Developing Housing	TBD
4	Update MTC's TOD Policy	TBD
5	Develop Policy Framework for “ Missing Middle ”	TBD

1. OBAG 3 Update Considerations

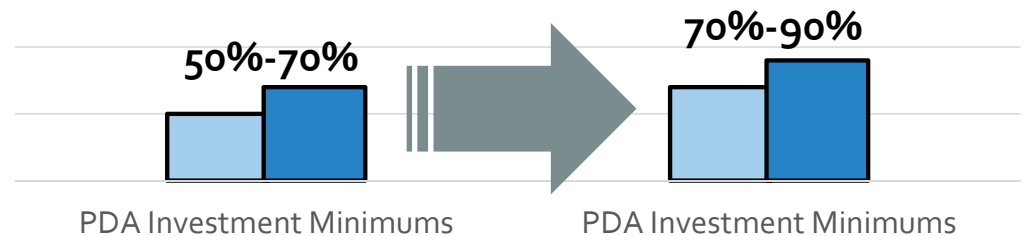
Change county share **formula**



Require jurisdictions to meet **production thresholds** to be eligible for funding (% annual growth in housing units)

1% for weak markets | 4% for strong markets

Re-examine percentage of funds that need to be **spent in PDAs**



1. OBAG 3 Update Considerations, cont.

OBAG Distribution Alternatives

	OBAG 2 Formula 50% Population 30% Permits 20% RHNA		Option A: 100% Permits, Weighted * (1999-2017)		Option B: 100% Permits, Not Weighted * (1999-2017)	
County	%	\$	%	\$	%	\$
Alameda	20%	\$70	17%	\$58	19%	\$65
Contra Costa	15%	\$51	17%	\$59	15%	\$51
Marin	3%	\$9	2%	\$8	2%	\$6
Napa	2%	\$6	2%	\$7	2%	\$6
San Francisco	13%	\$47	14%	\$49	14%	\$48
San Mateo	8%	\$29	5%	\$18	6%	\$22
Santa Clara	28%	\$96	27%	\$95	30%	\$106
Solano	5%	\$18	6%	\$21	6%	\$21
Sonoma	7%	\$23	9%	\$32	7%	\$24
Bay Area	100%	\$348	100%	\$348	100%	\$348

Potential OBAG₃ Revisions:

100% Production

A: Weighted 60% for affordable

B: No weighting

Other Options Possible

*Replace permits with production data when available

Numbers rounded, may not add

2. Expand OBAG-Style Conditioning

Require jurisdictions to meet **production thresholds for smaller fund sources** that MTC has discretion over

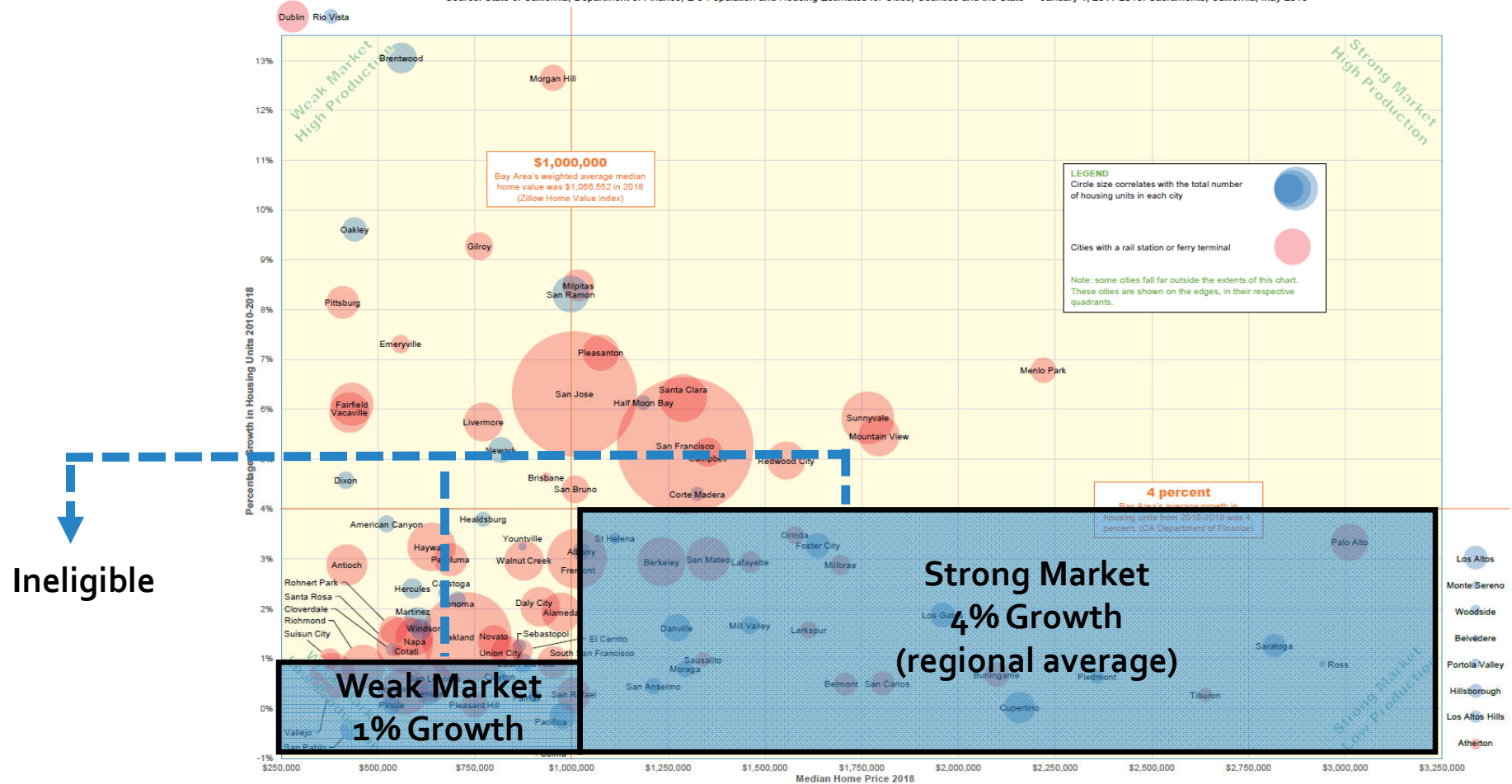
- ❖ Focus on programs that go to local jurisdictions (RTIP is problematic)
- ❖ Some programs are competitive or have state requirements

Fund sources smaller, but **in total are significant**

Source	Amount Million/year
RTIP	\$64
ATP - Regional Share	\$19
RM3 - Safe Routes to Transit	~\$15
TDA Article 3	\$7
Total	\$105

2. Expand OBAG-Style Conditioning

Source: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State — January 1, 2011-2018. Sacramento, California, May 2018



3. Support Public Agencies Building Housing

- ❖ Conditioning opportunities limited for transit
 - Operators have limited decision-making role in housing production
 - Penalizing transit operators for land-use decisions would stunt transit ridership in region
- ❖ However, some operators own land and are willing development partners



62% of suitable, developable public lands are owned by transit agencies, of which 95% belongs to BART and VTA

Suitable Public Lands Ownership, by Agency Type

Agency Type	Acres	% of Total
Transit Agencies	431	62%
Cities	118	17%
Redevelopment/Successor Agencies	51	7%
State of California	42	6%
Counties	19	3%
Other	17	2%
Schools/Colleges/Univ. of CA	9	1%
Public Utilities	7	1%
Housing Authorities	5	1%
TOTAL	698	100%

3. Support Public Agencies Building Housing, cont.

❖ **Infrastructure expenses** can be a barrier to building housing on public agency property:

- Replacement parking - BART estimates approximately \$50,000/space
- Station access and plaza improvements
- Relocation/reconfiguration of facilities, other structural expenses

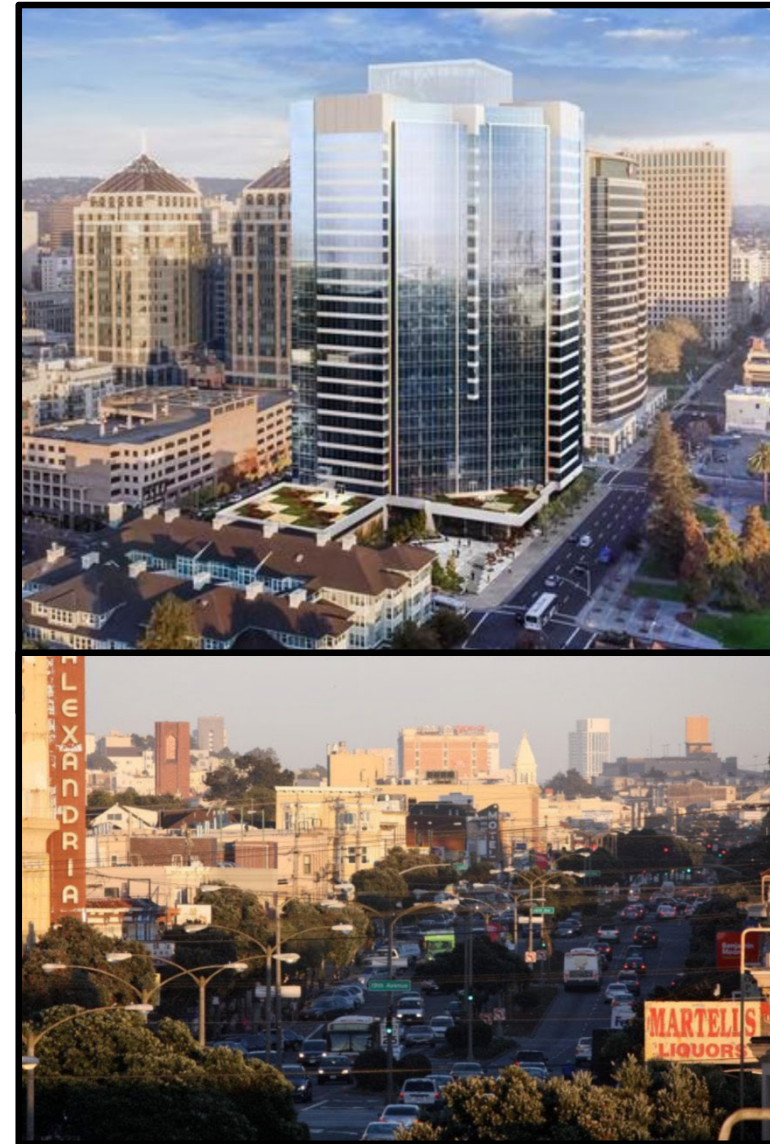
❖ **Future funding options** include:

1. Direct transportation grants from future program(s)
2. Regional Infrastructure Bank loans, repaid by parking/development revenues



4. Update MTC's TOD Policy

- ❖ Apply the “3P” Framework – Protection, Preservation, and Production
- ❖ Broaden Criteria:
 - Housing density
 - Affordable housing percentages
 - Extend to other transit investments, not only expansion
- ❖ Develop Hierarchy for Investment (i.e., not all PDAs/TPAs are equal)
- ❖ Incorporate Jobs/Housing Considerations



5. Develop Policy Framework for “Missing Middle”

Missing Middle (Moderate-Income Housing):

- ❖ 80 to 120 percent area median income (AMI) for RHNA; could expand to 150 percent AMI.
- ❖ No subsidies currently for “missing middle:” state/federal subsidies are for below 80 percent AMI.
- ❖ The market can’t build for this income range because land and construction costs are high. Most likely built as “inclusionary” with market-rate units, or in secondary housing markets like Solano.



Policy Framework could include:

- ❖ Realigning definitions of “Middle” and “Moderate” income housing
- ❖ Expanding funding *conditions* to include Middle-income housing outcomes
- ❖ Tailoring funding *opportunities* for Middle-income housing production

Summary of Approaches for Consideration

1	Change OBAG₃ County-Share Formula to be Based Entirely on Housing Production	\$77 million/year
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