

Metropolitan Transportation Commission Programming and Allocations Committee

August 12, 2020

Agenda Item 4a - 20-0426

Transportation Funding and Housing Linkages Consensus

Subject: Commissioner consensus on future efforts to link funding for transportation investments to improvements in housing outcomes.

Background: At the January 2020 Commission Workshop, Commissioners were presented with a recap of past discussions related to transportation funding and housing linkages, as well as a staff proposal to consider three potential fund conditioning approaches that could be applied to a short list of appropriate transportation revenue sources.

Commission discussion concerning conditioning transportation funding on housing outcomes culminated with a consensus reached at the workshop to focus efforts on the next cycle of the One Bay Area Grant program (OBAG 3) including:

- Require jurisdictions be compliant with relevant state housing laws to be eligible for OBAG 3 funds;
- Consider the appropriateness of adjusting the funding split between the county and regional programs; and
- Consider using incremental funding increases to the program to reward or incentivize housing performance (similar to the Housing Incentive Pool program).

OBAG funds may only be used for investment in transportation. Policies related to conditioning these funds on housing outcomes does not change the basic requirement that they be used on eligible transportation projects and programs.

Adapting to New State Laws

Housing Element law has changed significantly in recent years, and as such, will require a continued level of effort for cities and counties to develop and adopt a compliant Housing Element and meet reporting requirements.

The state has dedicated funding to support local jurisdictions in developing compliant Housing Elements and satisfying other state law requirements. In February 2020, ABAG assigned the first \$5.9 million out of the \$23.9 million Bay Area share of the Regional Early Action Planning (REAP) program. REAP and its local formula component, Local Early Action Planning (LEAP), are part of a one-time statewide investment to support regions and local jurisdictions with implementing the sixth cycle of the Regional Housing Needs Allocation (RHNA) and otherwise accelerating housing production. The remaining \$18 million in REAP funding will be programmed by ABAG in a future action.

Recommendation

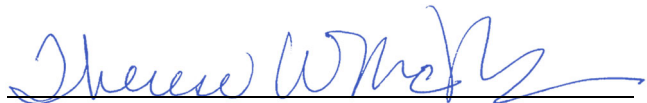
Because the January Commission workshop was not an action item, staff proposes memorializing the consensus to guide future programming actions, particularly for OBAG 3. As the OBAG 2 program runs through FY2021-22, discussions for the OBAG 3 program policies are anticipated to begin in Spring 2021.

The proposed full consensus is shown in Attachment A to this summary.

Issues: None

Recommendation: Refer the Transportation Funding Housing Linkages Consensus to the Commission for approval

Attachments: Attachment A – Transportation Funding Housing Linkages Consensus


Therese W. McMillan

Transportation Funding and Housing Linkages Consensus

Purpose: This document outlines the consensus of the Commission, as compiled by staff, on five items related to connecting transportation funding to housing. The consensus was reached informally at the January 2020 Commission Workshop and formalized at the July 2020 Commission meeting (pending approval of this agenda item).

Additional information/discussion is provided in *italics*.

- 1) **Housing Laws:** To be eligible for funding under the next cycle of the One Bay Area Grant (OBAG 3) grant program, jurisdictions must be compliant with state housing laws.

Consistent with OBAG 2, jurisdictions will be required to have their housing element certified by HCD, submit annual housing progress reports to HCD throughout the funding cycle, adopt a resolution affirming compliance with the Surplus Land Act, and submit to HCD a local inventory of surplus land.

Additionally, as part of OBAG 3, jurisdictions will be required to demonstrate compliance with state laws governing density bonuses, accessory dwelling units, and the Housing Accountability Act.

Housing Element law has changed significantly in recent years, and as such, the OBAG requirements for a city or county to have a certified housing element and submit annual progress reports will be much more meaningful leading up to the OBAG 3 cycle. Compliance with Housing Element law includes the adoption of an HCD-certified Housing Element in compliance with new site inventory and Affirmatively Furthering Fair Housing (AFFH) requirements. Annual progress reports (APRs) must also meet enhanced reporting requirements for rezoning, no net loss, and projects at various stages of the entitlement process.

- 2) **Compliance:** Staff will develop a process to determine compliance with the housing laws listed above in the most streamlined and coordinated manner possible.

Staff will continue to verify the status of housing elements and annual housing element progress reports through HCD's existing reporting procedures.

For all other housing laws required through OBAG 3, MTC staff proposes self-certification of compliance, by way of a Council/Board resolution and Opinion of Counsel, unless or until the State develops and maintains applicable compliance data.

Additionally, evidence of a Housing Accountability Act violation may trigger a case specific evaluation of required compliance and funding eligibility by MTC staff, in cooperation with HCD.

- 3) Future OBAG Cycles:** Staff will update the required state housing laws that jurisdictions must comply with to be eligible for OBAG funding prior to each new cycle of program funding.

Should additional housing laws be enacted prior to adoption of the OBAG 3 guidelines, staff will recommend modifications, if any are warranted, to the OBAG 3 compliance requirements to the Commission for approval.

- 4) County/Regional Shares:** Staff will bring to the Commission for consideration potential revisions to the County vs. Regional shares of the OBAG 3 program.

As part of the OBAG 3 guidelines development, staff will provide information on the types of expenditures and programs funded through the OBAG 2 county and regional programs for informational and discussion purposes.

- 5) Incentive Funding:** If the region receives a significant increase in federal transportation revenues above those forecast for the OBAG 3 program horizon, and/or the county share is increased from that of OBAG 2, the Commission will consider using that increment to reward or incentivize jurisdictions based on housing performance.

Staff will provide information and options to inform the Commission's consideration of incentive funds.