

# Metropolitan Transportation Commission Programming and Allocations Committee

July 14, 2021

Agenda Item 3b - 21-0911

## One Bay Area Grant (OBAG 3) Considerations

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**Subject:** One Bay Area Grant (OBAG 3) initial program considerations and development schedule.

**Background:** The One Bay Area Grant (OBAG) program is the policy and programming framework for investing certain funding such as Surface Transportation Block Grant Program (STP), Congestion Mitigation and Air Quality Improvement (CMAQ), and other funds throughout the San Francisco Bay Area.

MTC established the OBAG program in 2013 to strengthen the connection between transportation investments and regional goals for focused growth in Priority Development Areas (PDAs), affordable housing, and greenhouse gas emissions reduction to implement the regional transportation plan. OBAG is delivered through two program components that reinforce the region's growth objectives while continuing to deliver on important regional initiatives.

- **County Program:** Working in step with *Plan Bay Area*, the County Program is designed to strategically invest in local transportation projects that support the implementation of the regional growth framework through community-based efforts. County program funds are invested throughout the nine-county Bay Area based, in part, on local efforts to accommodate housing growth at all income levels, while maintaining the existing transportation system.
- **Regional Program:** The Regional Program invests in ongoing transportation programs that are well-suited for regionwide implementation, as well as new initiatives and pilot efforts to advance *Plan Bay Area* strategies. The OBAG Regional Program has invested in a broad array of transportation priority programs, including the Climate Initiatives program, PDA planning and implementation, Priority Conservation Area (PCA) grants, Bay Bridge Forward and other highway operations improvement projects, and transit capital investment in Clipper C2 and the BART Car Replacement project. Through strategic fund exchanges, the Regional Program has also launched several innovative pilot efforts to support affordable housing, including the Transit Oriented Affordable Housing (TOAH) and Bay Area Preservation Pilot (BAPP) revolving loan funds.

### **OBAG 3 Preliminary Considerations**

Staff have identified the following set of preliminary overarching considerations to guide the development of the OBAG 3 program framework. There is some overlap within these topic areas, however, each individual consideration provides a distinct lens for thinking about how to prioritize investments and balance trade-offs within the next round of the OBAG program.

- 1. Preserve the effective features of the OBAG program to support regional objectives.** The current approach for the County Program concentrates transportation investments within PDAs; incorporates housing factors into its funding distribution between counties, local policy requirements, and in the prioritization of projects; and relies on County Transportation Agencies (CTAs) to identify local community-based projects for funding that are consistent with regional goals.

In 2019, the Commission directed staff to conduct an evaluation of the OBAG program. The combined PDA & OBAG Assessment project, recently completed, includes the following findings for the OBAG program framework:

- A demonstrated strength of the County Program framework is the requirement for local jurisdictions to adopt specific housing and transportation policies. Notable examples include the requirement for a certified housing element and the adoption of a local complete streets policy.
- The overall objectives of the OBAG program are not clearly defined in the OBAG framework resolution, presenting a challenge for ongoing program evaluation.
- Also presenting a challenge for programmatic assessment is the significant variation in the project prioritization approaches within the County Program.

The PDA & OBAG Assessment also included an analysis of OBAG transportation investments and housing and mobility outcomes in PDAs between 2013 and 2017. The analysis found no conclusive relationship between OBAG investments and PDA outcomes over this five-year period. However, the assessment recommends continuing to focus transportation investments and planning efforts within priority growth areas, and completing a similar analysis in the future, over a longer time horizon. Additional summary findings and recommendations from the PDA & OBAG Assessment project are provided as **Attachment 1**.

**2. Strategically advance *Plan Bay Area 2050* implementation through OBAG investments and policies.** The primary objective of the OBAG 1 and 2 programs, both in the regional and county components, has been to support many of the interconnected strategies of *Plan Bay Area* and *Plan Bay Area 2040*. However, the STP/CMAQ revenues delivered through the OBAG program are relatively limited (STP/CMAQ revenues account for only 1.3% of *Plan Bay Area 2050* transportation revenues) and are insufficient to make progress on any one plan strategy alone.

**3. Incorporate recent policy initiatives and adapt to the new mobility landscape.** In the years following the adoption of OBAG 2, MTC has undertaken several major policy initiatives, which, in addition to the economic and societal ramifications of the COVID-19 pandemic, will need to be taken into consideration in the development of OBAG 3. These policy actions and focus areas include connecting transportation funds to housing, the adoption of a Regional Safety/Vision Zero policy and MTC Equity Platform, the approval of an Express Lanes Strategic Plan, and forthcoming Transit Transformation Action Plan. Additional information on several of Commission's recent policy initiatives is provided in **Attachment 2**.

Furthermore, there is a need to consider sustainable staffing levels within both the county and regional programs to implement continued and new initiatives.

**4. Advance equity through program policies and investments.** Adopted in 2019, MTC's Equity Platform is a framework to advance equity internally as an organization and externally through planning, funding, design, delivery, and evaluation. The OBAG 3 program provides an opportunity to advance equity with a racial justice focus by investing resources for historically underserved, systemically marginalized groups, including low-income and communities of color, at a scale to meaningfully reverse the disparities in access and mobility.

**5. Address federal planning and programming requirements.** As the federally-designated Metropolitan Planning Organization (MPO) for the Bay Area, MTC is responsible for regional transportation planning and programming efforts, including performance-based requirements. MTC's federal certification review in 2020 highlighted the need to clarify and better document MTC's roles and responsibilities for programming STP/CMAQ funding, including the areas of project selection and funding distribution processes, and the prioritization

process for CMAQ funds. Additional information on the federal requirements that will need to be addressed through the OBAG 3 program is provided in attachment 3.

**Development Schedule**


In the coming months, staff will develop a draft program framework with these considerations at the forefront. At the July Committee meeting, staff is seeking input on a set of policy and investment questions to guide this framework development. The draft framework will include the investment and policy priorities, as well as the approach through which MTC staff and its partners will deliver the program. Partner agency and stakeholder input will be sought throughout the summer and fall, ahead of Commission action on the draft framework.

Staff is targeting a December 2021 adoption of the program framework, with the county and regional program development to follow. Additional milestones throughout the development process are provided as **Attachment 4.**

**Issues:** None.

**Recommendation:** Information. No action required.

**Attachments:** Presentation – OBAG 3 Considerations  
Attachment 1 – PDA & OBAG Assessment Summary Findings & Recommendations  
Attachment 2 – Recent MTC Policy Initiatives  
Attachment 3 – OBAG 3 Federal Requirements  
Attachment 4 – OBAG 3 Development Schedule

  
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## PDA &amp; OBAG Assessment

**Summary Findings and Recommendations**

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**Background**

Staff recently completed an integrated evaluation of the One Bay Area Grant (OBAG) program and progress toward achieving focused growth and reduced vehicle miles traveled (VMT) in Priority Development Areas (PDA). This document summarizes the key findings of the PDA and OBAG Assessment and outlines the policy and investment recommendations emerging from the study.

The assessment has been guided by a Technical Advisory Committee with representation from County Transportation Agencies (CTAs), the development community (BIA), local government, transit operators, and equity advocates. The findings and recommendations highlighted in this memo reflect an iterative, collaborative process between staff, a consultant team led by Community Design + Architecture, and TAC members.

The purpose of the assessment was to gain a deeper understanding of the housing and mobility outcomes in PDAs in the first years of the OBAG program, between 2013 and 2017, and to identify opportunities to refine programming policies for the OBAG 3 program to better support PDA implementation.

**1. PDA Implementation: Summary Findings & Recommendations**

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The evaluation focused first on PDA Implementation. Findings and recommendations, shown below, are organized into three categories established in the project scope: Housing Production, Gentrification & Displacement, and Transportation Outcomes.

**Housing Production**Summary Findings

- Progress toward achieving housing production targets in Plan Bay Area 2040 and in adopted local plans is uneven across the region, with wide variation based on a variety of contextual factors, particularly access to regional job centers, level of PDA-specific planning completed, real estate market conditions, and proximity to major transit investments such as BART and Caltrain stations.
- While some barriers to housing production are context-specific, others are common across the region: limited availability and high cost of land, escalating construction costs, and subsidies for affordable housing.
- The findings of the assessment echo those of the *Regional Growth Strategies Horizon Perspective Paper*, which shaped the update to the Regional Growth Framework adopted by ABAG and MTC and reflected in the Plan Bay Area 2050 Final Blueprint.

Policy & Investment Recommendations

- Continue to support local PDA plans & zoning updates that increase density and housing diversity.
- Expand regional and county funding and incentives to adopt policies that support affordable housing production and preservation, supported by regional Technical Assistance.
- Incorporate more transit rich and high resource areas to expand growth framework<sup>1</sup>
- Shift the location of jobs to non-traditional job centers to support growth in new market areas
- Establish development financing plans and capital improvement plans for PDAs.
- Support targeted PDA pilot projects, such as mall reuse and the conversion of office parks to housing.

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<sup>1</sup> Implemented during the course of the assessment through the Plan Bay Area 2050 Blueprint.

## Gentrification & Displacement

### Summary Findings

- Gentrification and displacement are a concern in communities in most PDAs throughout the region.
- There are varying degrees of affordability across the individual PDAs, although new affordable housing is more likely to be located within PDAs.
- While household incomes and the racial composition of the region remained relatively steady over the analysis period, individual PDAs experienced relatively large shifts in household incomes and racial composition.

### Policy & Investment Recommendations

- Develop a comprehensive policy and funding approach supported by regional Technical Assistance to protect low-income tenants, preserve existing housing at affordable levels, and produce housing at all levels of affordability in PDAs.
  - Encourage or incentivize efforts to maximize affordability within PDAs.
  - Incentivize and support community stabilization policies tailored to the needs of cities and PDAs in different parts of the region.
- Analyze the impacts of climate change on displacement risk within PDAs, as a result of wildfires and sea level rise.
- Implement community-based transportation projects in PDAs to improve transit access and connectivity in under-resourced areas.

## Transportation Outcomes

### Summary Findings

- Vehicle miles traveled (VMT) per household may have increased at a faster rate within PDAs than other areas throughout the region, likely the result of demographic changes within the PDAs. However, VMT per household within PDAs is lower than in other areas of the region and workers within PDAs are more likely to take transit and less likely to drive alone for commutes, as compared to workers from other areas.
- Transit service increased in PDAs over the studied period within all counties except Marin and San Mateo. The largest percentage increase in transit service serving PDAs was seen in Solano and Sonoma counties.

### Policy & Investment Recommendations

- Invest in projects that improve first-last mile access and transit connections to key destinations, with an increased focus program-wide on multimodal project types (non-SOV) within PDAs.
- Restore and increase transit service within and between PDAs to support future growth.
- Develop or expand travel demand management (TDM) programs, at a regional or countywide scale, tailored to the needs of different PDAs.
- Provide technical assistance for supportive local policies, including parking reform, VMT reduction policies, SB 743 implementation.
- Evaluate employment growth and density in PDAs.
- Collect data and monitor trends in VMT, mode choice, and other transportation metrics in PDAs over time.

## 2. OBAG Investments: Summary Findings & Recommendations

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The second phase of the assessment focused on the effect of OBAG transportation investments on housing production and transportation outcomes within PDAs through a literature review and analysis of available data.

### Summary Findings

- A literature review identified a well-documented connection between land use and transportation outcomes. For example, highway construction has been shown consistently to increase VMT while residents of transit-rich areas consistently drive less than residents of areas with more limited transit service.
- The literature review also identified a relationship between major transportation investments and development but did not find evidence that smaller transportation investments typical of OBAG projects drive housing production or spur displacement. However, multiple small projects may cumulatively shift outcomes, particularly if coupled with comprehensive policy approaches.
- Analysis of available trend data found no conclusive relationship between OBAG transportation projects and housing and mobility outcomes in nearby PDAs, but caveats apply: Investments and outcomes were evaluated within the same limited window in time (2013-2017), and travel behaviors and market conditions can take several years to shift in response to investments.

### Policy & Investment Recommendations

- Continue to invest in neighborhood-scale transportation projects in PDAs that improve connectivity, transit access, and safety for all users; and couple these investments with PDA planning and supportive policies.
- Collect data to monitor and evaluate effectiveness of individual investments, in addition to completing another program wide assessment after additional years of data are available.

## 3. OBAG Framework: Summary Findings & Recommendations

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The final phase of the assessment concluded with an evaluation of the overall OBAG program framework. The current approach for the county program focuses transportation investments within PDAs; incorporates housing factors in the distribution formula, policy requirements, and prioritization of projects; relies on CTAs to identify local projects that are consistent with regional goals.

### Summary Findings

- The overall objectives of the OBAG program are not clearly defined in the OBAG framework resolution, presenting a challenge for ongoing program evaluation.
- The requirement for local jurisdictions to adopt specific housing and transportation policies to maintain funding eligibility is a demonstrated strength of the framework. Notable examples include the requirement for a certified housing element and the adoption of a local complete streets policy or compliant update to the transportation element.
- Significant variation in the project prioritization approaches within the county program present a challenge for programmatic assessment. Areas with significant variation include scoring rubrics, definitions for PDA proximate access, and the use of formulas to distribute a portion of the available funding.

### Policy & Investment Recommendations

- Clarify the goals and objectives for the OBAG program.
- Continue to leverage program funds to incentivize local housing and transportation policy adoption.
- Develop a regional scoring rubric and standardized definitions for the county program to increase program effectiveness.

Detailed information is available in the PDA and OBAG Assessment technical memos available here: link following <https://mtc.ca.gov/our-work/fund-invest/federal-funding/obag-2>.

## One Bay Area Grant (OBAG 3) Development

**Major Policy Initiatives following OBAG 2 Adoption**

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**Connecting transportation funds to housing:** At the January 2020 Commission Workshop, Commissioners discussed various approaches for connecting transportation funding to housing outcomes. As discussed at the workshop and later formalized at the August 2020 Commission meeting, the Commission consensus was to focus MTC's future housing and transportation fund conditioning efforts within the OBAG 3 program. This consensus included:

- Requiring jurisdictions to be compliant with relevant state housing laws to be eligible for OBAG 3 funds.
- Considering using incremental funding increases to reward or incentivize housing performance.
- Considering potential adjustments to the funding split between the county and regional programs.

Additional information available here: link following <http://mtc.legistar.com/gateway.aspx?m=l&id=/matter.aspx?key=20290>

**Regional Safety/Vision Zero Policy:** The Commission adopted a Regional Safety/Vision Zero Policy in June 2020, in recognition of the important role that MTC can have to encourage and support equitable and data-driven actions towards elimination traffic fatalities and serious injuries in the Bay Area.

Additional information available here: link following <https://mtc.ca.gov/planning/transportation/bicycle-pedestrian-micromobility/regional-safetyvision-zero>

**Bay Area Housing Finance Authority:** The Bay Area Housing Finance Authority (BAHFA) was created by the state Legislature (AB 1487) in 2019 to lead a comprehensive regional strategy for the production, preservation, and protection of affordable housing in the region.

Additional information available here: link following <https://mtc.ca.gov/about-mtc/authorities/bay-area-housing-financing-authority-bahfa>

**Equity Platform:** MTC launched its Equity Platform in 2019 to advance its commitment to equity through its investments and public engagement efforts.

Additional information available here: link following <https://mtc.ca.gov/about-mtc/what-mtc/equity-platform>

**Express Lanes Strategic Plan:** In April 2021, the Commission adopted the Bay Area Express Lanes Strategic Plan, which links the broader Express Lanes Network purpose and goals to the strategic implementation of *Plan Bay Area 2050* through prioritization of near-term actions and longer-term policy recommendations.

Additional information available here: link following <https://mtc.ca.gov/planning/transportation/driving-congestion-environment/mtc-express-lanes>

**Safe and Seamless Mobility Quick-Strike program:** In June 2021, the Commission approved the program of projects for the competitive grant program to support local and regional projects that can be implemented quickly to benefit communities responding and adapting to the COVID-19 environments.

Additional information available here: <https://mtc.ca.gov/funding/federal-funding/federal-highway-administration-grants/one-bay-area-grant-obag-2>

**Blue-Ribbon Transit Recovery Taskforce:** First established in response to the need to coordinate COVID-19 response and recovery efforts, the Task Force is anticipated to adopt a Transit Transformation Action Plan this month, outlining recommendations and strategies to shape the region's transit system into a more connected, more efficient, and more user-focused mobility network.

Additional information available here: link following <https://mtc.ca.gov/about-mtc/committees/interagency-committees/blue-ribbon-transit-recovery-task-force>



## One Bay Area Grant (OBAG 3) Development Federal Requirements

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### USDOT Certification Review

MTC's 2020 certification review included corrective actions focusing on MTC's programming processes for Surface Transportation Block Grant Program (STP) and Congestion Mitigation Air Quality Improvement (CMAQ) program. MTC must comply with the required actions listed below by the date of adoption of the 2023 Transportation Improvement Program, anticipated for Commission approval in September 2023.

Federal Focus Areas & Required Actions	
Documentation of compliance	
MTC should <b>improve its STBG and CMAQ programming documentation to clearly demonstrate</b> that its programs are in full compliance with applicable federal regulations.	
Use of formulas in the distribution of federal funds	
The use of any formula to distribute STBG and/or CMAQ funds across geographic areas, in general, or to specific jurisdictions or modes specifically, <b>should be clearly communicated as to how it is based in considerations required to be addressed</b> as part of the metropolitan transportation planning process.	
Reference: Federal Regulations 23 CFR § 450.126(m) states the following: <i>“(m) Procedures or agreements that distribute suballocated Surface Transportation Program funds to individual jurisdictions or modes within the MPA by pre-determined percentages or formulas are inconsistent with the legislative provisions that require the MPO, in cooperation with the state and the public transportation operator, to develop a prioritized and financially constrained TIP and shall not be used unless they can be clearly shown to be based on considerations required to be addressed as part of the metropolitan transportation planning process.”</i>	
Project selection authority	
MTC's project selection authority for STBG and CMAQ funds should be clearly described and detailed in its programming documentation and in all programming actions to ensure that MTC is satisfying its responsibilities outlined in 23. U.S.C. 134. MTC's practice of cooperation with partner agencies, including county transportation agencies, throughout the coordinated and comprehensive planning and programming process is commendable, however,	

Federal Focus Areas & Required Actions
<p><b>distinctions between partnership and project selection authority must be reflected clearly</b> in public documentation and communication.</p>
CMAQ process improvements
<p>To ensure that projects deemed most effective in reducing motor vehicle emissions and congestion are programmed for early implementation in the TIP, MPOs, State DOTs, and transit agencies should <b>develop CMAQ project selection processes</b> in accordance with the metropolitan and/or statewide planning process under 23 U.S.C. 134 and 135. The selection process should involve State and/or local transportation and air quality agencies. This selection process provides an opportunity for States and/or local agencies to present a case for the selection of eligible projects that will best use CMAQ funding to meet the requirements and advance the goals of the Clean Air Act.</p> <p>The CMAQ project selection process should be transparent, in writing, and publicly available. The process should identify the agencies involved in rating proposed projects, clarify how projects are rated, and name the committee or group responsible for making the final recommendation to the MPO board or other approving body. The <b>selection process should also clearly identify the basis for rating projects, including emissions benefits, cost-effectiveness, and any other ancillary selection factors</b> such as congestion relief, greenhouse gas reductions, safety, system preservation, access to opportunity, sustainable development and freight, reduced SOV reliance, multimodal benefits, and others. States and MPOs should fulfill this responsibility so that nonattainment and maintenance areas are able to make good-faith efforts to attain and maintain the NAAQS by the prescribed deadlines.</p> <p>Before project selection, <b>an assessment of the project's expected emission reduction benefits should be completed</b> to better inform the MPO's selection of CMAQ projects.</p>

## Performance-Based Programming

For all federally-required targets, MTC must show that the Transportation Improvement Program (TIP) “makes progress towards achieving the performance targets” and that the TIP includes, “to the maximum extent practicable, a description of the anticipated effect of the TIP towards achieving the performance targets” (23 CFR § 450.326). MTC must show that it is moving in the right direction based on the package of investments included in the TIP and must also describe how much of an effect the TIP investments are expected to have on the targets.

Performance-based programming requirements apply collectively all projects and programs in the TIP. However, the OBAG 3 program presents one of MTC's best opportunities to address federal performance in the TIP, given MTC's role in project selection. The table below lists all five federal performance goals areas and 29 federal performance measures. MTC will be required to document how the OBAG 3 program aligns with federal performance but is not required to address all 29 measures.

Goal Areas	General Measures	Performance Measures
Safety	Roadway Safety	<ol style="list-style-type: none"> <li>1. Total number of road fatalities</li> <li>2. Road fatalities per vehicle miles traveled (VMT)</li> <li>3. Total number of serious injuries on roads</li> <li>4. Serious injuries on roads per VMT</li> <li>5. Combined total number of non-motorized fatalities and serious injuries</li> </ol>
	Safety of Public Transit Systems	<ol style="list-style-type: none"> <li>6. Total number of reportable transit fatalities</li> <li>7. Reportable transit fatalities per revenue vehicle miles (RVM) by mode</li> <li>8. Total number of reportable transit injuries</li> <li>9. Reportable transit injuries per RVM by mode</li> <li>10. Total number of reportable transit safety events</li> <li>11. Reportable transit safety events per RVM by mode</li> <li>12. Mean distance between major mechanical failures by mode</li> </ol>
Infrastructure Condition	Pavement Condition	<ol style="list-style-type: none"> <li>13. Percentage of pavements on the Interstate in good condition</li> <li>14. Percentage of pavements on the Interstate in poor condition</li> <li>15. Percentage of pavements on the non-Interstate National Highway System (NHS) in good condition</li> <li>16. Percentage of pavements on the non-IHS NHS in poor condition</li> </ol>

Goal Areas	General Measures	Performance Measures
	Bridge Condition	<p>17. Percentage of NHS bridges by deck area classified in good condition</p> <p>18. Percentage of NHS bridges by deck area classified in poor condition</p>
	Transit Asset State of Good Repair	<p>19. Percentage of revenue vehicles that have met or exceeded their Useful Life Benchmark (ULB) by asset class</p> <p>20. Percentage of facilities within a condition rating below fair by asset class</p> <p>21. Percentage of guideway directional route-miles with performance restrictions</p> <p>22. Percentage of non-revenue vehicles that have met or exceeded their ULB</p>
System Performance	Performance of the Interstate and NHS	<p>23. Percentage of person-miles traveled on the HIS that are reliable</p> <p>24. Percentage of person-miles traveled on the non-IHS NHS that are reliable</p> <p>25. <del>Percent change in NHS tailpipe CO2 emissions compared to 2017 baseline (eliminated by FHWA in spring 2018)</del></p>
	Freight Movement on the Interstate	26. Interstate truck travel reliability index
Congestion Reduction	Traffic Congestion	<p>27. Annual hours of peak-hour excessive delay per capita by urbanized area</p> <p>28. Percent of non-SOV travel by urbanized area</p>
Environmental Sustainability	On-Road Mobile Source Emissions	29. Total emissions reductions from CMAQ-funded projects by pollutant

One Bay Area Grant (OBAG 3) Development  
**Development Schedule**

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Date	Milestones	
March – June 2021	<ul style="list-style-type: none"><li>• Development of initial considerations and approach</li><li>• Initial outreach with Bay Area Partnership Board and working groups</li></ul>	
July	<ul style="list-style-type: none"><li>• MTC Commission – Overview and discussion</li></ul>	
July – September	<ul style="list-style-type: none"><li>• Develop draft program framework, including funding levels, program categories, and key policy changes</li></ul>	<ul style="list-style-type: none"><li>• Ongoing outreach: Bay Area Partnership, Policy Advisory Council, and stakeholders</li></ul>
October	<ul style="list-style-type: none"><li>• MTC Commission – Review and discussion of draft OBAG 3 program framework</li></ul>	
<i>December</i>	<ul style="list-style-type: none"><li>• <i>MTC Commission – Review and approval of final OBAG 3 program framework</i></li></ul>	
January – December 2022	<ul style="list-style-type: none"><li>• County Program – call for projects</li><li>• Regional Program – program definition and programming actions</li></ul>	
Spring 2023	<ul style="list-style-type: none"><li>• MTC Commission – Review and approval of OBAG 3 County Program (program of projects)</li><li>• Programming actions for ongoing projects/programs may be approved earlier on as-needed basis</li></ul>	