

**Metropolitan Transportation Commission
Programming and Allocations Committee**

December 11, 2024

Agenda Item 4b-24-1492

MTC Resolution Nos. 4202, Revised; 4505, Revised; and 4678

Subject:

Adoption of project selection and programming policies for certain Surface Transportation Block Grant Program (STP) and Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds for transit operations and various revisions to the One Bay Area Grant (OBAG 2 and 3) programs. In accordance with MTC Resolution 4619, Revised, approved by the Commission in November, this item includes funding commitments to satisfy the \$300 million regional contribution to address public transit operator shortfalls.

Background:

The OBAG 2 and 3 programs establish the policy and programming framework for investing federal Surface Transportation Block Grant Program (STP) and Congestion Mitigation and Air Quality Improvement program (CMAQ) funds for FY 2017-18 through FY 2025-26.

In July 2023, California passed Senate Bill (SB) 125 (Chapter 54, Statutes of 2023), which committed state funds to help avert the near-term transit operating fiscal cliff and required that regions prepare Short-Term Financial Plans (STFPs). The Commission adopted MTC Resolution No. 4619 in November 2023, which committed up to \$300 million in regional discretionary funds as part of the SB 125 STFP. At the time, staff estimated that approximately \$85-115 million in future unprogrammed STP/CMAQ funds would be needed as a component of MTC's regional SB 125 contribution.

Transit Operating Shortfall Nexus

In December 2023, MTC submitted to the California State Transportation Agency its Senate Bill (SB) 125 Short-Term Financial Plan. This plan established a \$774 million collective funding shortfall for Bay Area operators across fiscal years (FY) 2024-25 and 2025-26, which is based on a standardized set of assumptions shared across all operators. These needs will be addressed through a combination of SB 125 funds and a \$300 million regional contribution. The SB125 Regional Funding Framework, adopted by the Commission in November 2024 through MTC Resolution No. 4619, Revised, identified contributions to operators by funding source and fiscal year, including committing \$93.3 million in STP/CMAQ funds in federal fiscal year (FY) 2024-25 and 2025-26 using future unprogrammed STP/CMAQ capacity, subject to future programming actions by the Commission. In addition, Resolution No. 4619, Revised, committed

\$7.9 million in FTA 5307 funds currently programmed to MTC’s Regional Vanpool Program to the San Francisco Municipal Transportation Agency (SFMTA), in exchange for a like amount in STP/CMAQ funds for the Regional Vanpool Program. Thus, the total future STP/CMAQ capacity supportive of the SB 125 funding framework is \$101.2 million.

Note that since the Transit Operations Program falls within the OBAG 3 period, some existing programmed OBAG 3 projects may be delayed to accommodate the new transit programming.

STP/CMAQ Transit Operations Program (MTC Resolution No. 4678)

This month, staff recommend adoption of the STP/CMAQ Transit Operations program (MTC Resolution No. 4678). This resolution establishes the project selection and programming policies for investing certain STP/CMAQ revenues, consistent with MTC’s regional SB 125 funding framework. As part of this action, staff recommend programming funds as detailed in **Table 1**.

Table 1: STP/CMAQ Transit Operations Projects

Sponsor	Project	Amount \$M
San Francisco Bay Area Rapid Transit District (BART)	Transbay Core Capacity	\$60.0
San Francisco Municipal Transportation Agency (SFMTA)	Preventative Maintenance (PM)	\$14.1
SFMTA	Bus Procurement	\$12.3
SFMTA	Light Rail Vehicle Procurement	\$6.9
MTC	Regional Vanpool Program (for SFMTA PM)	\$7.9
All	Total	\$101.2

These projects will each contribute towards the region’s near-term transit operating fiscal cliff, either directly or by offsetting other funding sources that can be used for operations. Of the \$101.2 million Transit Operations Program, staff recommend programming \$93.3 million to operators (SFMTA and BART) consistent with the SB 125 funding framework (MTC Resolution No. 4619). Staff recommend directing the remaining \$7.9 million to MTC for the Regional Vanpool Program, in exchange for a like amount in Federal Transit Administration (FTA) 5307 funds from the Transit Capital Priorities (TCP) Program for SFMTA preventative maintenance, allowing MTC to avoid additional administrative requirements of FTA-funded transit operators.

OBAG 2 and OBAG 3 Revisions (MTC Resolution Nos. 4202 and 4505, Revised)

This month, staff recommend various revisions to the OBAG 2 and 3 programs.

Housing Incentive Pool

In December 2023, the Commission awarded \$71 million in Housing Incentive Pool (HIP) funds to 15 jurisdictions that produced or preserved the greatest number of eligible affordable housing units over the previous five years. As part of this action, the Commission approved eligibility and programming guidelines for HIP funds, including a rolling call for letters of interest from awarded jurisdictions through 2024.

Of the 15 HIP jurisdictions, San Francisco and Santa Rosa submitted completed letters of interest to MTC in time for programming recommendations this month. Staff evaluated these applications based on adopted HIP criteria and recommend programming \$18.9 million in OBAG 2 HIP funds to 5 projects (see **Attachments 1 and 2** for details).

In addition, staff recommend selecting SFMTA's Powell Street Improvements project for \$4 million in San Francisco County transportation sales tax funds. As a reminder, MTC incorporated \$18.3 million in San Francisco's local sales tax into San Francisco's overall HIP award in December 2023 as part of a swap for Regional Transportation Improvement Program (RTIP) funds. Staff will return to the Commission next year to recommend projects for the remaining \$14.3 million in local San Francisco HIP funds.

Staff will return to the Commission to recommend programming for the remaining \$33.9 million in OBAG 2 HIP funds to other HIP jurisdictions in the coming months.

County & Local Program

As requested by the Alameda County Transportation Commission's (ACTC), staff recommend reprogramming \$10 million in OBAG 3 County & Local funds among various components of the San Pablo Avenue corridor improvement project. These revisions will allow ACTC to better leverage federal discretionary funds from the Safe Streets and Roads for All (SS4A) program that were recently awarded to the project. All scope elements originally awarded by MTC will be funded through ACTC's comprehensive funding strategy for the corridor.

In addition, as requested by the City/County Association of Governments of San Mateo County (C/CAG), San Mateo County, and Redwood City, staff recommend transferring sponsorship of the Bay Road Complete Streets Rehabilitation project from the County to Redwood City. The agencies requested this change in sponsorship in response to the County's anticipated noncompliance with MTC's Housing Element certification deadline of December 31, 2024.

Issues:

Programming capacity for the STP/CMAQ Transit Operations program is based on future anticipated apportionment to MTC in FY 2026-27 or later that has not yet been programmed. MTC has historically used these funding sources for the One Bay Area Grant (OBAG) program. Commitment of this apportionment by the Commission would reduce capacity for future OBAG program cycles.

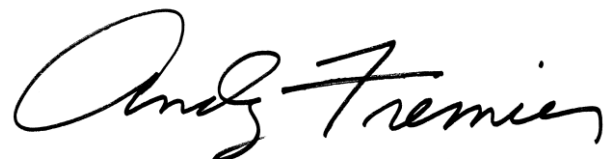
As in previous cycles, staff will develop recommendations for the next OBAG program through a collaborative and comprehensive process that considers the needs and input of various stakeholders. To avoid presupposing this process, as well as acknowledging the uncertainty of future federal funding levels, staff recommend that the Commission approve current programming of STP/CMAQ capacity for transit operations without committing to any future OBAG program structure or relative investment categories. Staff will continue to engage and collaborate with our regional partners and return to the Commission over the next year for input and updates on future OBAG cycle development.

Recommendations:

Refer MTC Resolution Nos. 4202, Revised; 4505, Revised; and 4678 to the Commission for approval. MTC Resolution Nos. 4202, Revised and 4505, Revised are also proposed for revisions under Agenda Item 2f and are included once under this item with all proposed revisions. Only items approved by the Committee will be forwarded to the Commission.

Attachments:

- Attachment A: HIP Applications and Recommended Awards
- Attachment B: HIP Summary by Jurisdiction
- MTC Resolution No. 4202, Revised
 - Attachment B-1
- MTC Resolution No. 4505, Revised
 - Attachments B-1 and B-2
- MTC Resolution No. 4678
 - Attachments A and B



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