

**Metropolitan Transportation Commission
Programming and Allocations Committee**

April 10, 2024

Agenda Item 4b-24-0431

Regional Advanced Early Action Planning Grant (REAP 2) Update

Subject:

Update on the status of MTC’s Regional Early Action Planning Grant (REAP 2) award and the anticipated impact of the Governor’s January Budget Proposal on MTC’s expenditure plan.

Background:

The Regional Early Action Planning Grant (REAP 2) Program is a one-time \$600 million state investment to advance implementation of adopted regional plans by funding transformative planning and implementation activities that accelerate infill housing development, reduce per capita vehicle miles traveled (VMT), and affirmatively further fair housing. Initially launched in 2019 as a part of Governor Newsom’s “Comeback California Plan” (AB 140), the program is administered by California Department of Housing and Community Development (HCD), in collaboration with California Office of Planning and Research (OPR), Strategic Growth Council (SGC), and California Air Resources Board (CARB). MTC was allocated \$102.8 million in REAP 2, formula funds for projects and subgrantees throughout the region.

REAP 2 Expenditure Plan

As a reminder, MTC’s expenditure plan, adopted in November 2022, focuses REAP 2 funds into three program areas that align with both State and regional objectives: (1) accelerating the implementation of the *Plan Bay Area 2050* (PBA 2050) Growth Framework, (2) delivering near-term priorities from the Transit Transformation Action Plan, and (3) augmenting the Community Action Resource & Empowerment (CARE) program to invest in additional local projects and programs prioritized by residents of Equity Priority Communities (EPCs). The expenditure plan is summarized in Table 1.

Table 1. REAP 2 Expenditure Plan – Summary

\$ in millions

Program Area	Activities	Amount	Staffing & Outreach
1. <i>Plan Bay Area 2050</i> Growth Framework Implementation <i>\$64.6 million</i>	Housing Preservation Pilot	\$17.8	\$3.4 million included to launch two new housing investment pilots and to provide ongoing housing technical assistance
	Priority Sites Pilot	\$30.8	
	Regional Housing Technical Assistance & Local Grants	\$16	

Program Area	Activities	Amount	Staffing & Outreach
2. Transit Transformation Action Plan Implementation <i>\$25 million</i>	Regional Transit Fare Coordination & Integration	\$22	\$1.2 million included to deliver Transit Transformation Action Plan activities
	Regional Transit Mapping & Wayfinding	\$1.8	
3. Community Choice Initiatives <i>\$8 million</i>	Community-Based Transportation Project Implementation	\$8	Staffing support provided through existing fund sources
	Participatory Budgeting Project Implementation		
	Community Power-Building and Engagement		
Proposed Activities Subtotal*		\$97.6	
Program Administration		\$5.2	\$5.2 million in administration and support costs
REAP 2 Expenditure Plan Total		\$102.8	

* The proposed activities subtotal includes funds for ongoing outreach and engagement activities throughout the design and implementation of REAP 2 programs and activities.

MTC submitted its REAP 2 application and expenditure plan to HCD in December 2022. HCD requested MTC further emphasize housing investments in its proposed expenditure plan. With that change, HCD ultimately approved MTC’s application in Fall 2023 and executed the REAP 2 funding agreement with MTC on January 11, 2024.

January Budget Proposal

Unfortunately, one day prior to HCD executing the funding agreement, the Governor’s January Budget Proposal included a proposed 50% cut to the REAP 2 program statewide. If enacted in the final budget in June, this cut is anticipated to result in a \$51 million reduction in REAP 2 funds allocated to MTC.

- **Implications of Cut:**

Staff anticipate a 50% cut would decrease the supply of new affordable housing from 800-1,600 to 400-800 homes; limit the duration of the transit fare pilot, resulting in a limited proof of concept and lower increases in transit ridership; and would forego an additional 8% in anticipated GHG reduction levels. Additionally, as pilots and proof of

concepts, this reduction would significantly limit MTC/BAHFA's ability to model new regional approaches to housing preservation and adaptive reuse.

- **Advocacy Efforts:**

MTC's Legislation and Public Affairs (LPA) staff are working closely with California Association of Councils of Government (CALCOG) and impacted Metropolitan Planning Organizations (MPOs) to highlight the impact of the proposed cut and demonstrate the importance of this funding in reaching both California's climate change and housing goals. MTC sent the attached letter to legislative leaders and the full Bay Area delegation urging them to reject any clawback of the grant. In mid-March, one of our legislative advocates testified in a Senate Budget Subcommittee hearing against the cut.

- **Implementation Next Steps:**

The proposed cut introduces a great deal of uncertainty for MTC's program of projects, many of which are already underway or are ready to begin as soon as funds become available. Staff are proceeding cautiously to implement REAP 2 projects and programs consistent with the approved REAP 2 expenditure plan and are phasing projects to minimize the proposed cut's impact. For example, MTC staff have notified applicants that only \$11 million will be available for award this spring through the Priority Sites Pilot, significantly less than the \$30.8 million originally approved by MTC. Similarly, staff anticipate releasing \$9M for the Preservation Pilot out of the \$18 million total.

In November 2023, ABAG authorized MTC staff to continue the Regional Housing Technical Assistance (RHTA) program launched by ABAG with REAP 1 funds. MTC's expenditure plan includes a total of \$16 million in REAP 2 for ongoing RHTA activities. In light of the current budget uncertainty, staff are proceeding with \$1.5 million to advance near-term priority RHTA activities, including providing funds to maintain existing subregional planning collaboratives.

Issues:

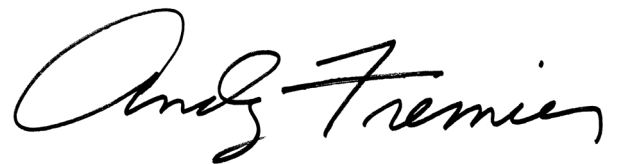
Until the State budget is finalized in June, MTC staff will continue to proceed cautiously to implement the REAP 2 program of projects consistent with the approved expenditure plan. MTC staff will return to the Commission after the budget is enacted, should any changes be needed to MTC's approved REAP 2 expenditure plan.

Recommendations:

Information only.

Attachments:

- Attachment A: Policy Advocacy
- Attachment B: MTC signed letter to California Senate

A handwritten signature in black ink that reads "Andrew B. Fremier". The signature is written in a cursive, flowing style.

Andrew B. Fremier