

December 17, 2015

Subject: **Staff Recommendation: Affordable Housing and Sustainable Communities Program Fall 2015 Funding Round**

Reporting Period: October - December 2015

Staff Lead: Affordable Housing and Sustainable Communities Program Staff

Recommended Action:

Approve staff recommendation awarding \$32.5 million in Greenhouse Gas Reduction Fund to eight projects (**Attachment 1**) supporting greenhouse gas emissions reductions and related co-benefits.

Summary:

The Council authorized awarding approximately \$30 million of Affordable Housing and Sustainable Communities (AHSC) Program funds from its Fiscal Year (FY) 2015/16 budget appropriation for certain eligible project applications from Round 1 of the AHSC program. Eligible projects included those projects that submitted applications in response to the AHSC Program Notice of Funding Availability (NOFA) dated January 30, 2015; and received a recommended Final Score greater than 60%, but were not awarded any grant funds, or only received an award for partial funding, from the SGC at the June 2015 Council Meeting.

Based on these characteristics, a Fall 2015 NOFA was released to ten eligible AHSC Round 1 applicants, with conditions that

- 1) Eligible applications would be evaluated based on the criteria set forth in Sections 102 through 107 of the AHSC Program Guidelines (dated January 2015) and recommended scores based on applications previously reviewed and evaluated during the full application phase in Round One of the AHSC Program.
- 2) Applications are ineligible for an award pursuant to this NOFA if construction has commenced as of the Statement due date set forth in this NOFA, or if the scope of the project has substantially changed.
- 3) Applications may not be revised to increase the amount of requested funds, however a reduced AHSC funding request could be made if other Enforceable Funding Commitments were received for the project since June 30, 2015.

Additional detail is provided in the following staff report.

Background:

SB 862, Statutes of 2014, established the AHSC Program, which is administered by the SGC. The AHSC Program furthers the purposes of AB 32 (Chapter 488, Statutes 2006) and SB 375 (Chapter 728, Statutes, 2008) by investing in projects that reduce greenhouse gas (GHG) emissions by supporting more compact, infill development patterns, encouraging active transportation and transit usage, and protecting agricultural land from sprawl development.

Funding for the AHSC Program is provided from the Greenhouse Gas Reduction Fund (GGRF), an account established to receive Cap-and-Trade auction proceeds and is awarded by the Council. In FY 2014/15, approximately \$120 million was available from the GGRF for the first funding cycle of the AHSC Program. After adopting AHSC Program Guidelines on January 20, 2015, the Council issued a Notice of Funding Availability dated January 30, 2015 (January NOFA) and awarded those funds, referred to as Round 1 funds, at the Council Meeting on June 30, 2015.

SB 862 apportioned 20 percent of GGRF annual proceeds to the AHSC Program beginning in FY 2015/16. In FY 2015-16, the funding available from the GGRF for the AHSC Program has substantially increased to approximately \$400 million. Accordingly, in light of the high quality of applications and substantial effort to prepare and review the applications, the Council authorized the availability of approximately \$30 million of FY 2015/16 AHSC Program funds to certain eligible project applications. Eligible applications must have been submitted pursuant to the January 30, 2015 AHSC Program NOFA, and either not awarded any grant funds, or only received an award for partial funding at the June 2015 Council Meeting.

The balance of the FY 2015/2016 AHSC Program funds (approximately \$320 million) will be awarded by the Council in 2016 pursuant to a separate NOFA.

Fall 2015 Funding Round

The Fall 2015 NOFA, released on October 30, 2015, is provided as **Attachment 2** of this Report. The NOFA provides detail on projects eligible to apply for this round of funding, loan and grant amounts, application scoring and recommendations, and application procedures and deadlines. Key Council considerations are noted below.

Eligibility

Projects eligible for funds pursuant to the Fall 2015 NOFA are projects that

1. Applied in Round 1 and were invited to submit a Full Application, and
2. Received a Final Score greater than 60%, but were not awarded any funds, or only received an award for partial funding, at the June 2015 Council Meeting.

This score cut-off ensured that only the highest quality applications submitted in response to the prior NOFA were eligible for the limited amount of AHSC Program funds offered, and allowed for a competitive award of funds.

Application Requirements

In order to apply for the Fall 2015 funds, a Statement of Continued Interest (Statement) by eligible applicants was submitted to the Department of Housing and Community Development (HCD). This Statement established whether AHSC funding for the project was still requested, if the amount requested has been reduced, and if there were any substantial changes to the scope of the project. If there were substantial changes to the scope of a project, it was not eligible to receive an award of funds pursuant to the Fall 2015 NOFA.

Applications were not allowed to be revised to increase the amount of requested AHSC funds; however, a reduced AHSC funding request could be made if other Enforceable Funding Commitments was received for the project since the June 30, 2015 award date.

Application Scoring

AHSC Program staff reviewed the Statement and Supplemental Information to determine eligibility under the Fall NOFA. To the extent eligible applicants reduced their request for AHSC Program funds, staff re-evaluated and re-scored the following impacted two criteria:

- Estimated Greenhouse Gas Emissions Reductions
- Capital Project Funds Leveraged

Results of the re-scoring of these criteria were combined with the results of all other, non-impacted, criteria scores from the Spring 2015 AHSC review process to determine a revised Final Score.

After any necessary Final Score revisions, the highest scoring applications that met all threshold requirements are recommended to the Council for funding, subject to adjustments authorized in the Guidelines. Applications are funded in descending order. SGC may make adjustments in this procedure to meet the following distribution objectives:

1. At least fifty (50) percent of AHSC Program expenditure for Projects benefitting Disadvantaged Communities.
2. At least fifty (50) percent of the annual proceeds appropriated for the AHSC Program shall be expended for affordable housing.¹
3. No less than forty (40) percent of funds available as designated in the NOFA will be allocated to Transit Oriented Development (TOD) Project Area applications.
4. No less than thirty (30) percent of funds available as designated in the NOFA will be allocated to Integrated Connectivity Project (ICP) Project Area applications.

AHSC Fall 2015 Award Recommendations

Attachment 1 provides the staff recommendation for the Fall 2015 AHSC Program awards. The recommendations reflect several issues:

- Revised GHG Score. Projects were evaluated based on revised AHSC funding requests, and corresponding changes in GHG reductions and leverage scores. As a result, one project (Rolland Curtis East, City of Los Angeles) received more points than in the Spring 2015 round because of a reduction in AHSC funding request. Adjusted total point rankings are reflected in the staff recommendation.
- Jurisdictional Cap. Current AHSC Program guidelines limited local jurisdictions from being awarded more than a total of \$15 million in a single funding round. The Fall 2015

¹ The requirements detailed in items 1 and 2 are not mutually exclusive.

funding round was subject to these January 2015 guidelines, and therefore the \$15.0 million jurisdictional cap. Four projects from the City of Los Angeles submitted Fall 2015 applications totaling \$16,587,403, consequently one project (1st and Soto, City of Los Angeles), is being recommended for a reduced AHSC award.

- Programmatic Funding Targets for TOD and ICP Projects. Of the Fall 2015 applications received, only one (Jordan Downs, City of Los Angeles) was an ICP category. Based on AHSC guidelines requirements to fund 30 percent of funds available, staff recommends funding Jordan Downs in its entirety, despite having a lower total point score than other City of Los Angeles projects.

ATTACHMENTS:

- A: Fall 2015 AHSC Funding Recommendations
- B: AHSC Fall 2015 Notice of Funding Availability