

**STAFF REPORT: FY 2014-15 AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES  
PROGRAM: RECOMMENDED AWARDS**

**Summary**

The Affordable Housing and Sustainable Communities (AHSC) Program provides grants and loans for capital development projects, including affordable housing development and transportation improvements that encourage walking, bicycling, and transit use resulting in fewer passenger vehicle miles travelled (VMT). Reduction of VMT in these projects will achieve greenhouse gas (GHG) emissions reductions and benefit Disadvantaged Communities. In FY 2014-15, \$121.9 million is available to fund such projects. This staff report provides an overview of the AHSC Program's application process for the 2014-15 funding round and summary of applications recommended for award.

**Recommended Action**

Approve staff recommendation awarding \$121.9 million in Greenhouse Gas Reduction Fund to 28 projects supporting greenhouse gas emissions reductions and related co-benefits.

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**BACKGROUND**

Senate Bill 857 (SB 857) created the Affordable Housing and Sustainable Communities (AHSC) Program as part of a suite of programs funded through Greenhouse Gas Reduction Fund (GGRF) to invest in projects achieving greenhouse gas (GHG) emissions and related co-benefits.

The AHSC Program provides grants and loans to projects that will achieve GHG reductions and benefit Disadvantaged Communities through increasing accessibility to affordable housing, employment centers, and key destinations via low-carbon transportation resulting in fewer passenger vehicle miles travelled (VMT). Projects will reduce GHGs through shortened or avoided passenger vehicle trip lengths, or result in transportation mode shifts from passenger vehicles to transit, bicycling, or walking modes. These projects ultimately encourage more compact, infill development and active transportation and transit usage; protect agricultural land from sprawl development; and support a variety of public policy objectives, as required by AHSC's enabling statute, including:

- Reducing air pollution;
- Improving conditions in disadvantaged communities;
- Supporting or improving public health and other co-benefits;
- Improving connectivity and accessibility to jobs, housing, and services;
- Increasing options for mobility, including the implementation of the Active Transportation Program, as defined;
- Increasing transit ridership;
- Preserving and developing affordable housing for lower income households, as defined; and

- Protecting agricultural lands to support infill development

At the July 10, 2014 SGC meeting, the Strategic Growth Council directed the Department of Housing and Community Development (HCD) to implement the Affordable Housing and Sustainable Communities program, in coordination with SGC staff. The Council also directed the California Department of Conservation (DOC), in coordination with the California Natural Resources Agency, to implement the Sustainable Agricultural Lands Conservation Program (SALC Program), a component of the AHSC Program created by SB 857.

*FY 2014-15 Funding*

The Budget Act of 2014 appropriated \$130,000,000 to the Strategic Growth Council for the implementation of the AHSC and SALC programs. These funds were allocated as follows:

<b>Table 1</b>	
<b>FY 2014-15 Affordable Housing and Sustainable Communities Program</b>	
<b>Budget Act Appropriation to the Governor’s Office of Planning and Research</b>	
Affordable Housing & Sustainable Communities (AHSC) (Item 0650-101-3228)	\$129,201,000
AHSC State Operations (Item 0650-001-3228)	\$799,000
<b>TOTAL FY 2014-15 Funding</b>	<b>\$130,000,000</b>
<b>Affordable Housing &amp; Sustainable Communities Program</b>	<b>\$129,201,000</b>
Less: SALC Program Local Assistance	\$5,000,000
Less: SALC Program Implementation (DOC)	\$250,000
Less: AHSC Implementation (HCD)	\$1,995,540
<b>Total AHSC Funds for Local Assistance</b>	<b>\$121,955,460</b>

**PROGRAM SUMMARY**

The AHSC Program provides competitive grants and loans to projects that will achieve GHG reductions and benefit disadvantaged communities through the development of affordable housing and related infrastructure, and active transportation and transit improvements located near, connecting to, or including transit stations or stops. AHSC Program funds also support transit ridership, active transportation, and criteria air pollutant reduction programs.

The AHSC program encourages the integration of affordable housing and transportation projects by requiring applications to include more than one housing or transportation capital project or program in close proximity to transit service. AHSC Program guidelines, adopted by the SGC in January 2015, considered two project types:

Transit Oriented Development (TOD) project areas, which were required to include:

- At least one transit station or stop served by high quality transit, defined as transit service which has headway frequencies of every 15 minutes during peak periods, and dedicated right-of-way and infrastructure;
- An affordable housing development located no further than one-half (½) mile from a transit station or stop served by high quality transit; and
- Inclusion of both a housing and a transportation capital project component

Integrated Connectivity Project (ICP) project areas were required to include:

- At least one transit station or stop served by transit, with more flexibility than a TOD Project Area, in relation to transit frequency; and
- At least two capital projects or a combination of one capital project and one program cost. For example, an application could fund an affordable housing development and a transit ridership program; or a bike lane extension connected to a transit station improvement. Housing capital projects were not required.

Per statute, 50 percent of the total AHSC program is dedicated for affordable housing, and 50 percent of AHSC funding must also be invested to benefit Disadvantaged Communities, as identified by the CalEnviroScreen 2.0 tool. These set-asides are not mutually exclusive. AHSC Program guidelines also established a programmatic set-aside for TOD and ICP projects, requiring at least 40 percent and 30 percent are invested respectively in these types of projects.

The Staff Recommendation to Council meets all statutory set-asides (affordable housing and Disadvantaged Communities), as well as the programmatic set-asides (TOD and ICP).

## **APPLICATION PROCESS**

HCD issued a Notice of Funding Availability (NOFA) for this first round of funding on January 30, 2015. Applications were considered through a two-phase process: concept proposals and full applications. The phased application process allowed SGC to determine demand for the AHSC program while supporting only those applications which proved immediate readiness for development in this inaugural program year, which faced strict program implementation timeframes.

### *Concept Proposals*

Upon release of the FY 14-15 NOFA, SGC, HCD, and Caltrans staff conducted six workshops in San Diego, San Bernardino, Los Angeles, Bakersfield, Stockton, and Oakland. Staff provided a general workshop for more than 390 potential applicants, and also held one-on-one technical assistance meetings upon request, with priority given to applications benefiting Disadvantaged Communities.

SGC received **147 concept proposals** requesting more than **\$760 million**. All concepts were reviewed to ensure Program threshold and readiness considerations, as shown in **Table 2**:

<b>Table 2</b>	
<b>AHSC Concept Proposal Threshold and Readiness Considerations</b>	
<b>Project Detail</b>	
<ul style="list-style-type: none"> <li>• Detail of Capital Projects               <ul style="list-style-type: none"> <li>• Project Area type (Transit Oriented Development or Integrated Connectivity Project) and Description</li> <li>• Defined Project Area (vicinity map, service area, etc.)</li> <li>• Eligibility for Statutory set-asides                   <ul style="list-style-type: none"> <li>○ Affordable Housing</li> <li>○ Disadvantaged Community</li> </ul> </li> <li>• Identification of Project co-benefits</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• AHSC Program funding requested for grant or loan funds</li> </ul>	
<ul style="list-style-type: none"> <li>• Proximity to transit and frequency of transit service</li> </ul>	
<b>Threshold Requirements</b>	
<ul style="list-style-type: none"> <li>• GHG emission reduction strategies attributable to the Project through reduction of vehicle miles travelled</li> </ul>	
<ul style="list-style-type: none"> <li>• Implementation of the applicable regional Sustainable Communities Strategy or other qualifying regional plan</li> </ul>	
<ul style="list-style-type: none"> <li>• Consistency with State Planning Priorities</li> </ul>	
<b>Project Readiness of Capital Projects</b>	
<ul style="list-style-type: none"> <li>• Evidence of enforceable funding commitments for construction period financing</li> </ul>	
<ul style="list-style-type: none"> <li>• Sources and uses of Project funds including identification of Project funding leveraged</li> </ul>	
<ul style="list-style-type: none"> <li>• Demonstration of Project readiness as appropriate:               <ul style="list-style-type: none"> <li>• Site control</li> <li>• All necessary environmental clearances (CEQA and NEPA)</li> <li>• All necessary discretionary land use approvals, excluding design review</li> <li>• Consistency with relevant local public works department, or other responsible local agency requirements</li> <li>• Estimated Project milestone schedule</li> <li>• Demonstration that Project construction has not yet commenced</li> </ul> </li> </ul>	

Of the concept proposals received, AHSC Program staff determined that 105 of the 147 applications submitted complete applications and met preliminary threshold and readiness conditions as noted above. Per the AHSC Guidelines, staff limited the number of applicants invited to submit full applications, inviting projects equal to about 260% of the available AHSC funds, representing the highest leveraged projects as well as projects of statewide significance and geographic diversity.

*Full Application*

Ultimately, SGC and HCD invited 56 concept proposals to submit a full application, requesting a total of approximately \$313 million. All invited applicants were encouraged to meet with AHSC Program staff to receive feedback on submitted concept proposals and technical support on full applications. AHSC Program staff received 53 Full Applications by the April 20, 2015 deadline.

**Table 3**  
**AHSC Scoring Elements and Criteria**

**GHG Reduction - 55% of total score**

- Estimated GHG emissions reductions per GGRF dollar. GHG emissions reductions must be estimated using the GHG Quantification Methodology in Appendix D (55 points)

**Feasibility and Readiness - 15% of total score**

- **Capital Project** Past Performance (2 points)
- **Capital Project** Readiness & Program Readiness, Capacity, Need and Leverage (8 points)
- **Capital Project** Funds Leveraged (4 points)
- Implementation of Planning Efforts (1 point)

**Policy Objectives - 30% of total score**

- Accessibility to Qualified Employment Areas (5.5 points)
- Extent to which the **Project Area** Incorporates Walkable Corridors (5.5 points)
- Extent to which the **Project Area** Incorporates Features which Encourage Bicycling (3 points)
- Extent to which the Housing Development Serves Lower- and Moderate-Income Households (6.5 points)
- Extent to which the **Project** Addresses Co-Benefits (6.5 points)
- Anti-Displacement Strategies (1 point)
- Community Engagement (2 points)

Each application was reviewed by:

- AHSC Program staff (including HCD, Caltrans, and SGC staff) for application completeness, and final review of scores
- HCD staff for affordable housing feasibility and readiness
- Caltrans staff for transportation feasibility readiness criteria
- Air Resources Board staff for verification of GHG reductions quantification
- Interagency reviewers for policy objectives criteria, including staff from the California State Transportation Agency, Caltrans, California High Speed Rail Authority, California Environmental Protection Agency, California Natural Resources Agency, California Department of Public Health, Governor's Office of Planning and Research, HCD, and SGC.

Applicants received notification of initial scores from HCD prior to final score issuance; this provided an opportunity to clarify information submitted at full application. Final scores were based on the verified criteria score awarded relative to the maximum eligible points for each application. The application score is calculated as a percentage of the application's maximum eligible points.

**SGC and Metropolitan Planning Organization (MPO) Coordination**

In this initial year, the eighteen California MPOs and SGC staff and member agencies and departments developed a flexible approach to coordination of recommendations regarding the AHSC Program. Depending on the needs of the applicants and MPO capacity, different types of support and coordination occurred with respect to each MPO’s role in AHSC Program development, technical assistance, and identification and recommendation of projects.

MPO staff provided feedback and support on the AHSC Guidelines development and application technical assistance efforts, often hosting outreach sessions, disseminating information, and providing technical expertise and coordination. At the Concept phase, MPOs received access to their respective region’s applications, and reviewed for threshold requirements related to implementation of their regional Sustainable Communities Strategy. At Full Application, MPOs had the option of reviewing applications from their region and providing recommendations to the SGC. SGC received formal recommendations from several MPOs, and all regions with applications actively participated in the application review and recommendation process.

**RECOMMENDED AWARDS**

**Attachment A** provides the staff recommendation for FY 2014-15 AHSC Program awards, with \$121,955,460 available. This year’s 28 recommended projects leverage nearly 6 to 1 in matching funds and will reduce an estimated 723,286 metric tons of greenhouse gas emissions—the equivalent to taking 140,483 cars off the road for one year.

<b>Table 4</b>				
<b>Summary of AHSC Funding Recommended for Set-Asides</b>				
	Number of Awards	Total \$ Requested	Average Request	Percent of Total
Total Funding Recommended	28	\$121,955,460	\$4,355,552	
Affordable Housing*	26	\$93,981,299		77%
Disadvantaged Community	21	\$91,836,695		75%
(Note: Affordable Housing and Disadvantaged Community dollars are not mutually exclusive)				
Transit Oriented Development (TOD)				
Project Areas	13	\$63,511,890	\$4,885,530	52%
Affordable Housing*	13	\$58,485,833		
Disadvantaged Community	8	\$42,393,125		
Integrated Connectivity Project (ICP)				
Project Areas	15	\$58,443,570	\$3,896,238	48%
Affordable Housing*	13	\$35,495,466		
Disadvantaged Community	13	\$49,443,570		

\* Includes costs related to Affordable Housing Development and Housing-Related Infrastructure only

**Affordable Housing**

77 percent of recommended AHSC awards would fund affordable housing development and related infrastructure, if approved. When completed, the recommended project areas will provide more than 2,000 units of affordable housing to a range of incomes, including extremely low-income (less than 30 percent of area median income), very low-income (between 30 and 50 percent of area median income), and low-income housing (50 to 80 percent of area median income). 24 of the 26 recommended affordable housing developments are 100 percent affordable projects.

<b>Table 5</b>		
<b>Summary of Affordable Housing Units Funded by AHSC</b>		
<b>Recommended AHSC Awards with Affordable Housing</b>	<b>26</b>	<b>awards</b>
<b>Total Affordable Units Funded</b>	<b>2,023</b>	<b>units</b>
Extremely Low Income (Less than 30% Area Median Income)		
Projects	24	projects
Units Funded	528	units
Very Low Income (Between 30-50% Area Median Income)		
Projects	26	projects
Units Funded	1,014	units
Low Income (50-80% Area Median Income)		
Projects	23	projects
Units Funded	445	units

**Disadvantaged Communities**

Seventy-five percent, or more than \$91 million in AHSC funds recommended in this fiscal year will benefit Disadvantaged Communities. This amount well exceeds the statutory requirements of SB 857 to invest at least 50 percent of AHSC funding to benefit Disadvantaged Communities, as identified by the CalEnviroScreen 2.0 tool. The recommended projects reflect critical needs for affordable, compact development in close proximity to transit in our most impacted and disadvantaged communities.

**Table 6**  
**Recommended AHSC Funding Providing Benefits to Disadvantaged Communities**

	Number of Projects	Total Dollars Requested	Percentage of Total
<b>Total Projects</b>	<b>28</b>	<b>\$121,955,460</b>	
<b>Projects Providing Benefits to Disadvantaged Communities</b>	<b>21</b>	<b>\$91,836,695</b>	<b>75%</b>
<b>Located Within</b>	<b>17</b>	<b>\$68,073,396</b>	<b>56%</b>
CalEnviroscreen 2.0 Score			
90-100	6	\$25,692,220	
81-90	5	\$20,562,730	
76-80	6	\$21,818,446	
<b>Within 1/2 Mile Walkable</b>	<b>4</b>	<b>\$23,763,299</b>	<b>19%</b>
CalEnviroscreen 2.0 Score			
90-100	0	\$0	
81-90	1	\$5,532,400	
76-80	3	\$18,230,899	
<b>Not Providing Benefits to Disadvantaged Communities</b>	<b>7</b>	<b>\$30,118,765</b>	<b>25%</b>

**Transportation and Transit Improvements**

The 28 projects recommended for funding connect affordable housing and key destinations to transit – including bus, bus rapid transit, light rail, heavy rail, commuter rail, and vanpool services with active transportation modes –predominantly bicycling and walking infrastructure. More than \$31.8 million in AHSC funding, or 25.1 percent of the total funding available, is intended for use on bicycle and pedestrian infrastructure, transit station area improvements, transit service and Intelligent Transportation Systems, and other transportation improvements supporting critical connectivity between housing, key destinations, and transit. AHSC funding will also fund 832 annual transit passes, other ridership programs, and active transportation education and outreach programs necessary to achieve transportation mode shift.

**Geographic Distribution of Awards**

AHSC award recommendations reflect a diversity of geographic locations throughout the State, reflecting regional priorities for both affordable housing development and transportation and transit investments and implements regional Sustainable Communities Strategies.

<b>Table 7</b>			
<b>Breakdown of AHSC Recommendations by Region</b>			
	Total Awards	Total Dollars	Percentage of Total Funding
Bay Area (MTC)	11	\$47,291,464	39%
Southern California (SCAG)	9	\$27,475,730	23%
San Diego (SANDAG)	2	\$16,240,888	13%
San Joaquin Valley	3	\$13,216,490	11%
All Other Areas	1	\$8,000,000	7%
Sacramento (SACOG)	1	\$6,730,888	6%
Multiple Regions	1	\$3,000,000	2%
<b>Total</b>	<b>28</b>	<b>\$121,955,460</b>	

Local jurisdictions, particularly the City of Los Angeles and the City/County of San Francisco, had several competitive applications. AHSC Program guidelines limited local jurisdictions from being awarded more than a total of \$15 million in a single funding round. These two cities were affected by the jurisdictional cap, and several competitive applications from these jurisdictions were not recommended for funding.

**Key Issues and Next Steps**

SGC staff, member agencies and departments, and AHSC Program staff are actively working with member agencies, current and prospective applicants, and stakeholders to identify improvements and refinements for future rounds of AHSC funding.

Public workshops will be held on July 14, 2015 in Sacramento (and via webcast) and July 20, 2015 in Los Angeles for Council members to hear input from the public and consider lessons learned in this inaugural year of the Program. The workshop agenda proposes high-level Council and Staff discussion and public comment of the following items:

- Integration of Housing, Transportation, and Transit Programs
- Technical Assistance Needs
- GHG Reductions Quantification
- Geographic Diversity Issues: Local, Regional, Rural
- Process for Future Years

Staff anticipates revising AHSC Guidelines during Fall 2015, with Council approval of revised Guidelines by December 2015. The NOFA for the 2015-16 FY will likely be released in January 2016.

**Staff Recommendation**

Staff recommends Council approve the staff recommendation, as reflected in Attachment A of this staff report. This recommended list identifies a total of 28 projects, representing a \$121.9 million investment of GGRF funds.

We note that there are some competitive applications, especially in Southern California, that were not recommended for funding at this time because of the \$15 million dollar cap per jurisdiction enacted in the programs inaugural guidelines. In light of likely additional funding in year two, the Council may wish to consider possible funding of these projects in the new fiscal year.

**ATTACHMENTS:**

- A: FY 2014-15 AHSC Funding Recommendations
- B: Summary of 2014-15 AHSC Recommended Projects
- C: Map of 2014-15 AHSC Recommended Projects