

STAFF REPORT: AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM: STATUS UPDATE AND GUIDELINE DEVELOPMENT PROCESS

PURPOSE

This staff report provides an update on the two key components of the Affordable Housing and Sustainable Communities Program: 1) the Affordable Housing and Sustainable Communities (AHSC) Program which contains the housing, transportation and infrastructure components of this program, and 2) the Sustainable Agricultural Lands Conservation (SALC) Program, which contains the agricultural lands conservation component of the program.

Both programs are currently in guideline development phase, and SGC has released draft guidelines for public comment on September 23, 2014. Both programs will hold public workshops on the two components in late October.

BACKGROUND

The [Budget Act of 2014](#) appropriates \$130 million from the Greenhouse Gas Reduction Fund (GGRF) for the FY 2014-15 budget to the Strategic Growth Council (SGC, or Council) to develop and administer the Affordable Housing and Sustainable Communities (AHSC) Program. Accompanying legislation, [SB 862](#), apportions 20 percent of the GGRF's proceeds on an annual basis to the AHSC program beginning in FY 2015-16.

The AHSC Program furthers the regulatory purposes of [AB 32](#) and [SB 375](#) by investing in projects that reduce greenhouse gas emissions (GHGs) by creating more compact, infill development patterns, encouraging active transportation and mass transit usage, and protecting agricultural land from sprawl development. These types of projects, described in the [AB 32 Scoping Plan](#), will support ongoing climate objectives and contribute substantial co-benefits by:

- Reducing greenhouse gas emissions and vehicles miles traveled (VMT) by improving mobility options and increasing infill development; or
- Protecting agricultural lands from conversion to other developed uses in order to manage growth within discrete boundaries, and supporting conservation practices that reduce GHG emissions and increase soil carbon sequestration.

Applicable law requires that 50 percent of AHSC funds be utilized to provide housing opportunities for lower income households. The law also requires 50 percent of funds must benefit disadvantaged communities. Please note that these two requirements may be satisfied/overlap in one project. (For example, construction of affordable housing in a disadvantaged community)

Pursuant to SB 862, the Council is required to develop and administer the AHSC Program and to leverage the programmatic and administrative expertise of relevant state agencies and departments in implementing the program. The Council is responsible for the overall administration of the AHSC

Program and will retain the central authority for the governance of this program and approval of funding awards.

At the July 10 Council Meeting, the Council approved the Department of Housing and Community Development (HCD) within the Business, Consumer Services, and Housing (BCSH) Agency to implement the housing, transportation and infrastructure components of this program, and the California Natural Resources Agency (CNRA) or Department of Conservation (DOC) to implement the agricultural lands conservation component. CNRA, with support from DOC, is administering the agricultural lands conservation component, now called the Sustainable Agricultural Lands Conservation (SALC) Program.

SUSTAINABLE AGRICULTURAL LANDS CONSERVATION PROGRAM

The primary purpose of the SALC is to support the State's greenhouse gas (GHG) emission and climate adaptation goals by making strategic investments that protect agricultural lands. Preventing the conversion of critical agricultural lands to other development uses will promote smart growth within existing jurisdictions, ensure open space remains available, and support a healthy agricultural economy. A healthy and stable agricultural sector will become increasingly important to meet the challenges anticipated as a result of climate change.

There are three major elements to the long term investments proposed for the SALC program:

- Sustainable Agricultural Land Strategy Plans: Grants to counties, cities, and partners to inventory and evaluate which agricultural lands are most highly productive and critically threatened.
- Agricultural Conservation Easements: Provide funding to leverage the permanent protection of strategically located agricultural conservation easements on highly productive and critically threatened agricultural land.
- Land Management Incentives: Leverage USDA and other funding to incentivize management practices designed to reduce GHGs or sequester carbon on working agricultural operations.

The third of these elements is not included within the 2014 SALC Program, but will be addressed in future years as the planning efforts are completed. The SALC Program will complement California's existing farmland conservation efforts, including the Land Conservation (Williamson) Act, the California Farmland Conservancy Program (DOC-CFCP), and the many local and regional policies in place throughout the state.

CNRA and DOC staff, in coordination with the California Department of Food and Agriculture, convened meetings with stakeholders to inform the draft guidelines document. Three public workshops will be held in late October to provide background and receive input on the draft guidelines.

AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM

The AHSC Program will provide grants and loans for affordable housing, infill and compact transit-oriented development, and infrastructure. Projects funded by the AHSC Program will demonstrate how they support reduction of greenhouse gas emissions and vehicle miles travelled by increasing

accessibility of housing, employment centers and key destinations via low-carbon transportation options (walking, biking and transit), resulting in fewer vehicle miles traveled.

Integrated land use strategies are critical to reducing greenhouse gas emissions in California, where GHG emissions from transportation are the largest contributor. SGC staff and its member agency and department partners acknowledge the complexity of the intersection of land use, affordable housing, transportation and infrastructure needs across the state, and understand that there are challenges and outstanding issues to be addressed in a short time frame. In order to do this, SGC has, and will continue to, coordinate an interagency and departmental team with high-level policy and technical expertise to design the AHSC Program guidelines and implement the Program, with input from the Council and the public.

Through legislation and administrative direction, the AHSC Program has been tasked to achieve many objectives that significantly affect the design of the program including, but not limited to requirements to: demonstrate significant reductions in GHG, ensure 50% funding is invested in affordable housing, ensure no less than 50% funding is set-aside for disadvantaged communities; and create a process for meaningful coordination with Metropolitan Planning Organizations.

The draft guidelines describe the proposed program framework, including eligible projects, applicants, program thresholds and potential scoring criteria. The SGC and its implementing agencies and departments do not take these tasks lightly, and look forward to Council and public input on the Draft Guidelines. Several issues require additional consideration, and include the following:

MPO Role and Coordination

SB 862 requires the SGC to “coordinate with the Metropolitan Planning Organizations (MPOs) and other regional agencies to identify and recommend projects within their respective jurisdictions that best reflect the goals and objectives of this program.” State agencies and departments, represented by SGC, California State Transportation Agency, BCSH Agency, California Environmental Protection Agency, and HCD have been working with representatives from MPOs to identify a meaningful partnership to support effective implementation of the Program. An initial concept for coordinated review is currently being developed, which would allow for MPO technical review of program thresholds, specifically GHG quantification and SCS implementation in Phase 1. In the Phase 2 Full Application, MPOs would concurrently review applications in conjunction with the State to identify priority projects within their respective region. These recommendations would be included for consideration by the State when it makes its final recommendations to the Council.

Greenhouse Gas Quantification and Scoring

The California Air Resources Board (ARB) will develop guidance on the quantification of expected GHG and VMT reductions from projects, which will inform future iterations of the AHSC Program guidelines.

Language currently in the AHSC Program guidelines reads “Competitive ranking of the application shall be based, in part, on the magnitude of greenhouse gas reduction relative to scale and cost of the

project. Total GHG emissions reductions shall be calculated by the applicant, using quantification guidance provided by ARB.”

It has been proposed to include a more precise measure for scoring the expected amount of GHG and VMT reduction. Even though all projects will have significant GHG and VMT reduction benefit, projects will vary in cost due to differences in leveraging and scale of project. This confounding of results would require accounting across all project expenditures, including those not under control of the State, which would be very difficult and potentially costly to administer.

Geographic Distribution of Funds

SGC and the implementing state agency and department staff, see merit in designing the AHSC Program to account for the distribution of funds statewide. California’s cities and communities statewide are diverse and vary in market dynamics, community need, capacity to manage and deliver projects, track greenhouse gas emissions, population density and size, and the availability of local resources. The method to account for geographic distribution of funds is still undetermined. SGC and implementing state agency and department staff seek Council and public input on the most effective method to achieve this goal.

Disadvantaged Communities Set-Aside

The AHSC Program is required to implement ARB guidance on benefits to disadvantaged communities per [SB 535](#). SGC and implementing state agency and department staff have been collaborating closely with ARB to incorporate this guidance into the AHSC Program guidelines. During this process some questions were raised regarding whether affordable housing located in high opportunity areas should be counted toward the 50% disadvantaged community set-aside. It is anticipated that ARB’s interim disadvantaged community guidance, to be finalized later this month, requires that projects to be located in or within one-half mile from a disadvantaged community census tract as identified by CalEPA’s tool, CalEnviroScreen, in order to count toward the 50% disadvantaged communities set-aside.

SGC and implementing state agency and department staff have raised concerns during the ARB disadvantaged community guidance development process that these requirements could potentially become an obstacle for the AHSC Program to reach its 50% goal. However, the extent to which this may become an issue will not be known until program proposals are submitted. At its September 18, 2014 meeting, ARB agreed to revisit this issue if necessary in the future.

NEXT STEPS

Draft guidelines for both the AHSC and SALC programs were released on September 23, 2014 for public comment. Both programs will hold workshops separately on the two components in late October, with exact locations, dates and times released by the end of September. The public comment period will remain open until October 31, 2014. In November, staff will revise the draft guidelines, On December 1, 2014, SGC will release proposed guidelines for adoption in advance of the December 11, 2014 Council Meeting, where the Council will vote on adoption of the guidelines.