

February 24, 2021

Subject: Fiscal Year 2019-20 Round 6 Affordable Housing and Sustainable Communities Program Guidelines Adoption

Reporting Period: December 2020 – February 2021

Staff Lead: Ryan Silber, AHSC Program Manager

Recommended Action

Adopt the Final Affordable Housing and Sustainable Communities Program Fiscal Year 2019-20 Round 6 Guidelines (the “Final Guidelines”).

Summary

This report provides background on the Affordable Housing and Sustainable Communities Program (AHSC) and summarizes changes proposed to the AHSC Program Guidelines for AHSC Fiscal Year 2019-20 Round 6. The changes described below reflect updates made since Staff presented the Draft AHSC Round 6 Guidelines to the Council at the November 17, 2020 public meeting. These changes respond to feedback from the Council, stakeholders, and program implementation partners to continue AHSC’s objective to reduce greenhouse gas (GHG) emissions by advancing sustainable development best practices across California’s many communities. For a list of other changes proposed prior to the November 17, 2020 Council meeting, refer to the [AHSC Staff Report](#) from that meeting. The changes covered in this memo and the associated Final AHSC Program Fiscal Year 2019-20 Round 6 Guidelines (the “Final Guidelines”) supersede any conflicting information from the November staff report.

A collaborative stakeholder and public engagement process informed the preparation of the Final Guidelines presented for adoption. That process included: feedback from a variety of partners during AHSC’s fifth round; a 10-day public comment period on the Round 5 Guidelines and awards process; a 30-day and 7-day public comment periods on draft Round 6 Guidelines; three interactive webinars; and meetings with stakeholders, technical assistance (TA) providers, and past and prospective applicants. In addition, staff from several State agencies informed the draft Final Guidelines to ensure alignment with State priorities and best practices. For more specific information, see Appendix A: Stakeholder Engagement and Public Comment.

Based on public feedback and collaboration with other State agencies and departments following the November 17 Council meeting, Staff recommend changes to the following items in the Guidelines:

- Geographic targets for awards;
- Minimum score and GHG reduction requirements;

- Green building incentives;
- Requirements for developer experience requirements;
- Funds leveraged scoring;
- Length of term for eligible transit operations expenditures; and
- Other technical clarifications, described below.

Round 6 Process

Table 1: AHSC Round 6 Schedule

Status	Milestone	Timeframe
X	Draft AHSC Round 5 Guidelines Posted	September 16, 2020
X	30 Day First Draft Guidelines Public Comment Period	September 16 - October 16, 2020
X	Second Draft Guidelines Posted	November 6, 2020
X	Second Draft Guidelines Discussed at SGC Meeting	November 17, 2020
X	7 Day Third Draft Guidelines Public Comment Period	January 29-February 5, 2021
X	Final Guidelines Posted	February 12, 2021
	Final Guidelines Considered by Council	February 24, 2021
	Release of Round 6 NOFA*	February 26, 2021
	Application Workshops via Webinar	March 11 and 16, 2021
	Application Consultations	Late March
	Applications Due Date	June 8, 2021
	Round 6 Awards Adopted by Council	October 28, 2021

*The AHSC Application Workbook will be released soon after the NOFA.

At the November 17, 2020, public meeting of the California Strategic Growth Council, members of the Council discussed, and heard stakeholder feedback on, the Draft Affordable Housing and Sustainable Communities Program (AHSC) Round 6 Guidelines (the “November 2020 Draft Guidelines”). As a result of that discussion, the Council directed Staff to revise the November 2020 Draft Guidelines to address key issues related to geographic considerations and proposed scoring for Round 6, particularly minimum total score requirements, minimum greenhouse gas (GHG) emissions reduction requirements, and all-electric building design. During the intervening months, AHSC program staff, SGC Key Staff, and State agency partners worked collaboratively to develop the Final Guidelines, carefully considering public comments submitted last month.

Following the Council’s adoption of the Final Guidelines, SGC and the California Department of Housing and Community Development (HCD) will release application materials and open a three-and-a-half-month solicitation period. The application period

will close on June 8, 2021. Staff will then review applications for completeness and compliance with AHSC requirements prior to evaluating the applications across AHSC's three scoring categories: quantitative policy, GHG reductions, and narrative policy scoring. SGC staff will release award recommendations in October 2021 before presenting award recommendations to the Council at its public meeting later that month.

Staff Recommended Revisions to the Round 6 Program Guidelines

On September 16, 2020, SGC and HCD released the Round 6 Draft AHSC Program Guidelines for a 10-day public comment period. Feedback received through that process, interagency working group meetings that included representatives of State partner agencies and departments, and stakeholder meetings, informed an updated version of the draft – the November 2020 Draft Guidelines – posted on November 6, 2020 and discussed by the Council at its November 17, 2020 public meeting. Following that discussion, Staff worked collaboratively with State partners to integrate public and Council feedback into an updated draft released on January 29, 2021 for a 7-day public comment period. The Final Guidelines presented for the Council's consideration incorporate the most recent public feedback and reflect continued interagency collaboration. For more specific information about AHSC's public feedback process, see Appendix A: Stakeholder Engagement and Public Comment.

This section of the staff report identifies the proposed updates to the Final Guidelines made since the November 17, 2020 Council meeting. For a list of additional updates to the AHSC Round 5 Guidelines proposed prior to that meeting, refer to the [November 17, 2020 Council Meeting AHSC Staff Report](#). The information in this February 24, 2021 staff report and in the related Final Guidelines supersedes any conflicting information from the November staff report and the November 2020 Draft Guidelines.

Proposed changes are listed below in the order they appear in the Draft Guidelines.

- **Section 102(a)(3)(A) – Project Area Size** – This change clarifies that AHSC project areas may be extended by a 1/2 mile buffer around all sustainable transportation infrastructure improvements, as long as the project area remains contiguous. AHSC does not fund improvements outside project areas. This change incorporates guidance from AHSC's Project Area Mapping Guidance document into the Final Guidelines and is consistent with project evaluation from recent rounds.
- **Section 103(a)(1)(C)(I) - Developer Fees** – This change updates the guidelines to reference the most recent Tax Credit Allocation Committee (TCAC) regulations and clarifies that developer fees may not exceed what is already mandated by law.
- **Section 103(a)(1)(E) – Developments Intending to Utilize Multiple Low-Income Housing Tax Credits** – This change clarifies that an AHSC application

may only utilize one low-income housing tax credit. Use of more than one tax credit has been explicitly prohibited since Round 5 of AHSC, but clarifying language is now included to indicate that applications seeking to utilize multiple low-income housing tax credits will be identified in the review process, which may affect their subsequent eligibility and scoring determinations. Projects that attempt to utilize multiple low-income housing tax credits after the award of funds risk cancellation of their awards. For AHSC's purposes, an affordable housing development utilizing multiple low-income housing tax credits constitutes more than one affordable housing development with independent financing structures. As AHSC awards require all affordable housing developments to be bound to a single contract, independent financing structures for multiple affordable housing developments is not possible with AHSC funds.

- **Section 103(a)(3)(A)(v) – Transit Operations Eligible Costs** – Transit operations expenditures that directly expand service are eligible for up to five years, expanding upon the previous two-year maximum. This change recognizes the increased funding shortfalls faced by transit providers and the need for operations funding to support expanded capital improvements.
- **Section 106(a)(8) – Environmental Clearances** – This change clarifies that operating subsidies and rental subsidies that trigger environmental review, including CEQA and NEPA, do not need to provide proof of their environmental clearance at the time of application. Operating and rental subsidies are typically secured later in the development process and lack of environmental clearances at the time of application does not interfere with AHSC application review or and should not affect construction schedules. This change is consistent with previous AHSC guidance documents and TCAC regulations.
- **Section 106(a)(12) – Developer Experience** – Applicant entities may depend on their principal's experience in lieu of the organization's experience by submitting evidence of the principal's experience as set forth in the application. This change recognizes movement of individuals among development companies and that companies without a long development history may still satisfy program requirements to display requisite experience. This change also expands opportunity for black, indigenous, and people of color-owned development organizations as well as community development corporations to access AHSC funding.
- **Section 107(a)(1)(A) – Transit Vehicle Leverage** – Transit vehicle purchases must be entirely funded by AHSC in order to be considered within the project scope for the purposes of GHG emission reductions quantification. An exception is made for one vehicle of each mode type, for which AHSC funds must cover only the majority of the vehicle cost. This adjustment clarifies a change made in the November 2020 Draft Guidelines by specifying the amount of AHSC funding contribution required per transit vehicle. Limiting the project scope to transit vehicle purchases that need AHSC funding to occur is expected to increase access to AHSC funding for transit providers in jurisdictions without large local

funding sources, potentially addressing some issues related to geographic distribution of awards.

- **Section 107(c) – Green Building Scoring** – These changes reflect the State’s increased commitment to decarbonizing the residential building sector through actions that will have the largest, long-term GHG reduction impact and go the furthest beyond State minimum requirements.
 - **Energy Grid Use Reductions** – All points for this category are eliminated. State building code now requires on-site solar panels and additional AHSC incentives for on-site renewable energy generation would be marginal.
 - **Electrification** – Up to seven points will be available for all-electric housing developments with three points available for incremental action. Electrification of new building stock is needed rapidly for California to meet its climate goals. All-electric developments will draw their energy from a grid that is increasingly sourced from renewable energy and have a lower energy load than comparative fossil-fueled developments. Therefore, an incentive for zero net energy development would provide marginal benefit over projects that are designed to be all electric and those points are proposed to be reallocated to all-electric building incentive, as follows:
 - Three points will be awarded to projects that utilize all-electric appliances for at least *two* of the following *three* categories: water heating, space heating, cook stoves. The project also must be all-electric ready (wired so there are 240-volt outlets near any gas appliances).
 - Seven points will be awarded to all-electric projects with no connections to natural gas infrastructure.
- **Section 107(f) – Funds Leveraged Scoring** – Equity provided from low-income housing tax credits will not be counted within AHSC’s leveraged funds scoring incentive. This category is intended to prioritize projects that use proportionately high amounts of non-AHSC funding and are more likely to begin construction sooner due to having larger amounts of secured funding. In response to low-income housing tax credits no longer being over-the-counter and projects needing to compete, possibly over multiple solicitation rounds, AHSC will not consider their equity as leveraged funds for this incentive structure. AHSC will continue to count low-income housing tax credits as enforceable funding commitments for the purpose of meeting threshold requirements.
- **Section 107(h) – Workforce Development Scoring** – Building upon changes proposed in the November 2020 Draft Guidelines, explained in the November 17, 2020 AHSC Staff Report, this change clarifies that each voluntary strategy is worth 1.5 points with two strategies needed to secure the full 3 points available. Additionally, workforce development partnerships with local community based organizations or workforce investment boards are now *each* eligible for points

within this category, as long as they meet the criteria. Previously, projects would only receive points for *one* eligible partnership.

- **Section 108(d) – Awards Process** – The Final Guidelines clarify the awards process and use of discretionary funds, which are the 20% of funds remaining after Project Area Type targets are met. These changes result in the following process for awarding funds:
 1. *Project Area Targets*: The Council will make awards to the top scoring projects in each project area type category as follows:
 - i. 35% of funds to TOD projects
 - ii. 35% of funds to ICP projects
 - iii. 10% of funds to RIPA projects
 2. *Discretionary Funds*: The remaining 20% of funds (or, “discretionary funds”) will be allocated by the Council in the following manner, listed in order of consideration:
 - i. Ensure that AHSC meets its statutory investment minimum of at least 50% of funds allocated to projects located within disadvantaged communities.
 - ii. Once the disadvantaged community investment minimum is met, the Council will use discretionary funds to ensure a distribution of total AHSC funds that allows each of the eight geographic areas identified in *Table 1*, below to receive funds, as long as there are competitive applications from those areas.
 3. *Special Considerations*: To the extent that the amount of discretionary funds is not sufficient to fulfill the disadvantaged community investment minimum or ensure a minimum geographic access to AHSC funds, the Council may use funds originally intended to meet project area targets (see 1, above) to fulfill these goals.

This change represents a commitment from the Council to utilize discretionary funds, to the extent available, to ensure a minimum level of access to AHSC funds in all geographic areas around the state, provided a geographic area submits at least one competitive application. The Council and program staff are committed to holistically assessing AHSC project classification and evaluation methods to advance access to funds in every geographic area.

Note regarding geographic targets: The AHSC Draft Guidelines published for comment on January 29, 2021 included a sentence in Section 108(d)(4) that led to confusion among commenters as to whether awards are guaranteed in each region: “The Council will seek to fund one project, regardless of Project Area Type, in each of the eight geographies [stated within the guidelines].” This sentence is removed from the Final Guidelines to avoid confusion. While the Council intends to prioritize AHSC’s discretionary funds to “ensure a distribution of total AHSC funds that allows for all geographic areas with a competitive

application to receive funds,” this should not be interpreted as a commitment to fund at least one project from each geography.

Table 1: AHSC defined geographic areas

Geographic Area	Counties
Sacramento Area	Sacramento, Yolo, Sutter, Yuba, Placer, El Dorado
San Diego Area	San Diego
San Francisco Bay Area	Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma
San Joaquin Valley	Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare
Coastal Southern California	Los Angeles, Orange
Inland Southern California	Riverside, San Bernardino, Imperial
Central Coast	Ventura, Santa Barbara, San Luis Obispo, Monterey, San Benito, Santa Cruz
North State & Sierra	Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, Shasta, Sierra, Siskiyou, Tehama, Trinity, Tuolumne

- Section 108(d) – Minimum Score Requirements** – Based on discussion and feedback from the November 2020 meeting, the Final Guidelines remove the 70-point minimum score requirement and specified GHG reduction amounts. The elimination of the minimum score requirements recognizes that without further data on the scoring changes proposed in these guidelines, minimum total score and GHG reduction requirements have the potential to limit access to funds from projects all across the state and potentially deter potentially high-quality applications. Projects will instead be evaluated through existing eligibility and scoring criteria to determine their competitiveness.
- Appendix A(u) – Land Donations and Fee Waivers** – This change confirms that fee waivers and land donations, as described within this section of the AHSC guidelines, will be accepted as enforceable funding commitments. This eliminates ambiguity that existed with previous language.
- Appendix A(m) – Context Sensitive Bikeways** – Expanding upon the new definition for context sensitive bikeways, this change clarifies what “rural main streets” means in the context of AHSC scoring, providing clarity for Rural Innovation Project Areas (RIPAs) while maintaining a high standard for quality of improvements. The definition sets standards for the classification of bikeways eligible for AHSC point scoring based upon average daily traffic and allowed vehicle speeds.

Table 2: History of Draft Round 6 Guidelines changes on key topics. January 29, 2021 draft is omitted.

AHSC Guidelines Category	Round 4 Guidelines	Round 5 Guidelines	9/20 Round 6 Draft	11/20 Round 6 Draft	Round 6 Final Guidelines
Developments Intending to Utilize Multiple Low-Income Housing Tax Credits	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited
Transit Operations Eligible Costs	Not eligible	Up to 2 years	Up to 2 years	Up to 2 years	Up to 5 years
Energy Grid Use Reduction Scoring	Up to 5 points	Up to 5 points	Up to 5 points	Up to 5 points	No points available
All-Electric Building Scoring	No points available	No points available	Up to 2 points	Up to 2 points	Up to 7 points
Discretionary Funds Available	20% of total funding	10% of total funding	10% of total funding	20% of total funding	20% of total funding
ICP Funds Available	35% of total funding	45% of total funding	45% of total funding	35% of total funding	35% of total funding
Geographic Targeting of Awards	None	None	One award minimum to each geographic area	One award minimum to each geographic area	Commitment to geographic distribution using discretionary funds, after meeting statutory requirements
Minimum Total Score Requirements	None	None	70 points	70 points	None
Minimum GHG Requirements	Project displays GHG reductions	Project displays GHG reductions	10 points	-TOD Projects: 19,850 MTCO _{2e} -ICP Projects: 15,186 MTCO _{2e} -RIPA	Project displays GHG reductions

AHSC Guidelines Category	Round 4 Guidelines	Round 5 Guidelines	9/20 Round 6 Draft	11/20 Round 6 Draft	Round 6 Final Guidelines
				Projects: 7,203 MTCO2e	

*TOD and RIPA Funds Available have not changed over this timespan.

Next Steps

Following the California Strategic Growth Council’s adoption of the Final Guidelines, HCD will release the Notice of Funding Availability and solicit projects eligible under these Guidelines using a competitive process for the sixth round of the Affordable Housing and Sustainable Communities Program.

Council Recommendation

Adopt the Fiscal Year 2019-20 Round 6 Final Affordable Housing and Sustainable Communities Program Guidelines (the “Final Guidelines”).

Should the Council agree with staff’s recommendation, the following motion language is suggested:

“I move that the Council approve the Fiscal Year 2019-20 Round 6 AHSC Program Final Guidelines. Approval of this motion directs staff to solicit projects for a sixth round of program funding.”

Appendices

Appendix A: Stakeholder Engagement and Public Comment Summary
Appendix B: AHSC Program Background

Attachments

Attachment 1 – FY 2019-2020 Round 6 Final Affordable Housing and Sustainable Communities Program Guidelines.

Appendix A: Stakeholder Engagement and Public Comment Summary

The proposed Guidelines incorporate feedback resulting from collaborations with a variety of partners during AHSC's fifth round. In addition, the California Strategic Growth Council (SGC) gathered input via: a 10-day public comment period following Round 5 awards on the previous Guidelines and application process; a 30-day public comment period on the September Draft Round 6 Guidelines; a 7-day public comment period on the January Draft Round 6 Guidelines; three interactive webinars; and meetings with advocates, TA providers, and past and prospective applicants.

AHSC public feedback events

Event	Date(s)	Participants/Letters Received
Round 5 Guidelines public comment period	July 13 – 23, 2020	26
Round 6 Draft Guidelines public comment period	September 16 – October 16, 2020	49
Draft Guidelines Workshops	October 1, 6, and 8, 2020	146
Round 6 Draft Guidelines public comment period	January 29 – February 5, 2021	43

California Air Resources Board (CARB) Staff released the Draft AHSC GHG Quantification Methodology on September 16, 2020 for a two-week public comment period. The Final Guidelines and GHG Quantification Methodology incorporate feedback obtained through public comments, workshops, stakeholder meetings between July and October 2020, and solicited throughout the fifth round of funding as well as State agency and department collaboration.

Finally, a Steering Committee including members from SGC, CARB, the Department of Housing and Community Development (HCD), the California Department of Transportation (CalTrans), the Governor's Office of Planning and Research (OPR), the California Department of Public Health, the Business Consumer Services and Housing Agency, and the California State Transportation Agency (CalSTA) helped ensure the proposed Final Guidelines align with State priorities and best practices.

Appendix B: AHSC Program Background

Public Resource Code section 75210 establishes the Affordable Housing and Sustainable Communities Program "to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development..." The AHSC Program is part of California Climate Investments (CCI), an initiative that puts State Cap-and-Trade dollars to work; CCI sets aside 50 percent of the available funds for projects benefitting Disadvantaged Communities. CCI and AHSC play a critical role in the State's overall efforts to reduce greenhouse gas (GHG) emissions, strengthen the economy, and improve public health and the environment in communities across the state. Health and Safety Code section 39719 allocates 20 percent of GGRF annual proceeds to the AHSC Program which, to date, has awarded over \$1.6 billion in funds.

The AHSC Program provides grants and loans for capital projects and programming, including affordable housing development and transportation improvements that encourage walking, bicycling, and transit use resulting in fewer passenger vehicle miles travelled (VMT). The Sustainable Agricultural Land Conservation (SALC) Program, which draws funding from a portion of the AHSC Program appropriation, advances agricultural land preservation through conservation easements to complement AHSC's focus on infill development.

Who is Eligible for AHSC Funds?

The following entities are eligible to apply for AHSC Program funds, as a sole or joint applicant:

AHSC eligible applicants

Local Government (City, County, City/County)	Local Transportation Agency	Public Housing Authority
Transit Agency or Operator	Regional Transportation Planning Agency	Congestion Management Agency
Joint Powers Authority	School District	Facilities District
University or Community College District	Developer: Public, Private, or Nonprofit	Program Operator: Public, Private, or Nonprofit
Qualified Tribal Entity		

What does AHSC Fund?

AHSC supports the following types of capital projects that reduce passenger VMT and support transportation mode shifts:

- Affordable housing development in close proximity to transit designed to exceed current requirements for energy efficiency, green building, water efficient uses, low impact development, and renewable energy

- Capital infrastructure projects, including:
 - Active transportation capital projects, including pedestrian, bicycle infrastructure, crosswalks, and other capital projects which increase connectivity and accessibility
 - Infrastructure (water, sewer, roads, etc.) that directly serves affordable housing development in proximity to transit
 - Urban greening components designed in coordination with affordable housing, active transportation, or transit capital projects (e.g. tree canopy along walkable and bikeable corridors, parks and open space adjacent to housing, etc.)
 - Capital costs associated with increasing the capacity of a transit system, including expanded fleet (e.g. vanpool, car share, shuttles, ZEV charging infrastructure, transit stops/stations) or expanded service (e.g. route expansions, frequency increases)
 - Capital costs supporting to expand public transit access and increase connectivity between destinations and transportation modes
- Transit operations costs associated with capital expansion projects
- Programs supporting shifts in transportation mode and co-benefit priorities, including:
 - Active transportation outreach (e.g., safety, awareness)
 - Transit ridership programs (e.g., transit passes, outreach programs)
 - Criteria air pollutant and air pollution exposure reduction programs
 - Workforce development programs
 - Zero-emission vehicle car share programs for low-income individual
 - Tenant legal counseling

How are AHSC Awards Determined?

SGC conducts a competitive process to award AHSC funds. AHSC awards funds to three project area types designed to reflect the diversity of community and transit characteristics across California. Applications are scored out of 100 points on the following criteria: GHG emission reductions (30 points), quantitative policy elements (55 points), and a narrative policy section (15 points).