

AHSC Round 7 Guidelines: Summary of Key Changes

Summary

The California Strategic Growth Council (SGC), California Department of Housing and Community Development (HCD), and California Air Resources Board (CARB) have undertaken a large-scale stakeholder engagement process to help inform and develop updates to the Round 7 Affordable Housing and Sustainable Communities Program (AHSC) Guidelines and the AHSC Greenhouse Gas (GHG) Quantification Methodology and Tool. As part of this outreach the AHSC Program staff released the Policy Discussion Document in April 2022 and presented a summary of comments heard (Policy Discussion Response Summary) at the June 2022 SGC Council Meeting. All materials referenced in this document may be found at: <https://sgc.ca.gov/programs/ahsc/resources/guidelines.html>

Since the June 2022 Council Meeting, staff have continued to update guidelines and engage the public in a robust, transparent process. Draft Round 7 AHSC Guidelines were made available for Public Comment on Friday, September 30, 2022 with comments due on Monday, October 31, 2022. The SGC AHSC Team held three in-person workshops in Davis, Fresno, and San Diego as well as one virtual statewide workshop during the public comment period, with more than 250 participants. In addition to feedback at the workshops, more than 30 comment letters were received, as well. Staff then reviewed all letters, categorized comments, worked with partner agencies to identify solutions and opportunities for clarification and changes to the Guidelines based on stakeholder feedback. AHSC staff are extremely grateful to everyone who took their time to review and provide comment on the letters; the AHSC program is stronger thanks to your involvement.

After SGC staff reviewed and responded to feedback from the Draft Guidelines, the Final Draft Round 7 AHSC Guidelines was released with a 10-day comment period before being presented to the SGC Council for adoption at the December 2022 SGC Council meeting. The Round 7 NOFA will be released in January 2023.

This document serves to summarize the more notable changes made from Round 6 to the Final Round 7 Guidelines. This document is an updated version of the Summary of Key Changes released with the Draft Guidelines. The Final Draft Round 7 AHSC Guidelines will be released along with this document on December 5th, 2022, with a 10-day comment period before being presented to the SGC Council for adoption at the December 15, 2022, SGC Council meeting. The Round 7 NOFA will be released in January 2023.

The following is a list of key changes that are proposed for AHSC Round 7. While there are many changes listed, any appeals or concerns during the awards process should refer solely to the Final Guidelines, rather than this summary. Please review the Final Draft Round 7 AHSC Guidelines for detailed changes.

For the reader's clarity, the most significant changes below are **highlighted in yellow**.



Topics

AHSC General Overview

- **Section 100(c):** Notes that previous AHSC R1-R6 documents are superseded by Round 7 materials, including the “Question and Answers” documents. A new Q&A process will be established for Round 7.
- **Section 101(a):** Updated Disadvantage Communities (DAC) designation to CalEnviroScreen 4.0
- **Section 101(b):** Added SGC’s Vision for Racial Equity Plan

Eligible Projects and Eligible Costs

- **Section 102(a)(1):** Project Area is a contiguous area with no greater than a one-mile radius from any single point inside the parcel of the Affordable Housing Development. Removed ever-expanding Project Area options (including Transit Corridor).
 - **Section 102(a)(3):** Sustainable Transportation Improvements (STI) may extend beyond the boundaries of the Project Area, but must still include a pedestrian entrance to the facility (i.e., transit station/stop or a portion of the walkway/bikeway) inside the Project Area.
- **Section 102(c)(1), (d)(1), and (e)(1):** TOD and ICP Project Areas must include a Transit Station/Stop that includes a Qualifying Transit in operation by the time of application (High Quality Transit for TOD). RIPA Project Areas may commit to building Qualifying Transit by Certificate of Occupancy, as was found in previous rounds. BRT definition for determining High Quality Transit has been more clearly defined and refined between Draft and Final Guidelines (Appendix A).
- **Section 102(d)(2):** ICP project definition affirmatively excludes projects that could qualify for TOD.
- **Section 102(c)(2) and (d)(3):** AHSC required eligible costs are now uniform throughout all Project Area Types.
- **Section 103(a)(1)(A)(iv):** Projects can now calculate Net Density using either a unit count or bedroom count. However, Applicants must still use unit count for quantification of GHG reductions.
- **Section 103(a)(1)(C):** Homeownership projects now eligible for Affordable Housing Development (AHD) funding.
- **Section 103(a)(3)(B):** Funding cap for Sustainable Transit Improvement (STI)/and Transit Related Amenities (TRA) raised to \$15 million (previously \$10 million).
- **Section 103(a)(3)(A)(v):** Extend eligible costs for transit operation expenditures from five years to ten years.
- **Section 103(a)(3)(A)(vi):** Affirm that only Zero Emission Vehicles (ZEV) may be purchased using AHSC Program funds. If no ZEV option is available for that type of transit vehicle (i.e. railcar), EPA Tier IV Emission Standards will be required.
- **Section 103(b):** Added internet service as an eligible expense under Programs (PGM) and increased PGM cap to \$600,000 (previously \$500,000).

Assistance Terms and Limits, Eligible Applicants, and Threshold Items

- **Section 104(a):** Maximum award amount raised to \$50 million (previously \$30 million). Minimum award amount is also raised to \$10 million (previously \$1 million). Allows for alignment with SuperNOFA award amounts and increased costs overall.
- **Section 105(a)(1)(C):** Expand the list of eligible applicants to include Native American Tribes that are on the contact list maintained by the Native American Heritage Commission (NAHC).



- **Section 106(a)(22):** All AHD projects applying for funding under the AHSC program will be required to be All-Electric Design with no connections to natural gas infrastructure. Only zero-emission generators are AHSC Eligible Costs (Section 103(c)(6)), and battery arrays are re-affirmed as an eligible cost.
- **Section 106(a)(28):** Applicants will be required to provide high speed internet service to each low-income unit for 5 years. Staff had proposed a longer timeframe aligning with TCAC language, but this was reduced in response to stakeholder feedback. May use Program (PGM) to pay for the first 3 years.

Scoring Criteria

- **Section 107(a)(4):** Streamline GHG binning and scoring process. Score all projects as one cohort, then select highest total scores within each Project Area Type.
- **Section 107 Quantitative Policy Scoring (a):** Length of Context Sensitive Bikeways (CSB) and other STI improvements will be uniformly measured by Lane Miles. For Class III to be CSB, it must have traffic calming measures in addition to shared lane markings (Appendix A).
- **Section 107 Quantitative Policy Scoring (a)(5):** Added up to 4 points for Projects that improve existing transit routes that serve the community around the AHD.
- **Section 107 Quantitative Policy Scoring (c)(2):** Simplified TRA points so Projects will receive 2 points for funding a minimum amount of Transit Related Amenities (TRA) funds along the side of block face(s) with a Transit Station/Stop within the Project Area.
- **Section 107 Quantitative Policy Scoring (c)(3):** Projects will receive 2 points for siting their AHD on an Excess land (EO-N-06-19), Surplus land, or land from a transit agency at a reduced fee. Projects may also be eligible for this point if sited in a High-Speed Rail Planning Area OR implementing projects identified in previous SGC-funded programs, such as Transformative Communities Collaborative (TCC) and Sustainable Agricultural Lands Conservation (SALC). Deleted option to achieve points for receiving other GGRF funding.
- **Section 107 Quantitative Policy Scoring (d):** Deleted points for Walk Score and more clearly defined each Key Destination and will provide templates to streamline identification of Key Destinations. Also, Key Destinations for RIPA projects are 0.5 points (0.33 for TOD and ICP). The list of eligible Key Destinations will now align with CARB GHG Key Destinations.
- **Section 107 Quantitative Policy Scoring (e):** Project will receive points for Funds Committed (previously for Funds leveraged), in alignment with SuperNOFA.
- **Section 107 Quantitative Policy Scoring (f):** Added points for Prohousing Designation. Applicants may receive two points for having applied if jurisdiction meets certain policy requirements.
- **Section 107 Quantitative Policy Scoring (g):** Projects seeking points for anti-displacement activities must provide an assessment of displacement risk and commit to funding an anti-displacement activity.
- **Section 107 Quantitative Policy Scoring (h):** Restructured Local Workforce section to make options and requirements clearer.
- **Section 107 Quantitative Policy Scoring (i)(1):** For rental projects, increased percentage of Extremely Low-Income households needed to achieve points and added points for projects with a minimum percentage of 3-bedroom or larger units.
- **Section 107 Quantitative Policy Scoring (i)(2):** For homeownership projects, points awarded for percentage of units to Low-Income households.
- **Section 107 Quantitative Policy Scoring (j):** Outline types of Programs (PGM) eligible for funding and more clearly detailed requirements.



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- **Section 107 Narrative Based Policy Scoring (a)-(d):** Narrative response will now be prompt answer format (prompts to be available as a separate supplemental document). Added an Equity and Transformation Section (additional 3 points). Enhanced Climate Adaptation and Air Quality questions.

Application Process

- **Section 108 (e):** Negative points will be assessed at the time of application, pursuant to HCD Negative Points Policy.
- **Section 108 (h):** To be awarded projects must receive 70 or more points.
- **Section 108(h)(1):** Clarified Project Area Type targets are “at least” the stated percentage and changed “Discretionary” funds to “Remaining” funds.
- **Section 108(h)(2):** Mandate the Geographic target and Tribal Entity target (to the extent eligible applications are received).
- **Section 108(h)(7):** After meeting goals and targets, projects will be awarded based on highest scoring applications. In the case of a tie, the project with the total highest GHG reductions, after appeals and verification, will take precedence.
- **Section 108(i)(2):** Projects will not be partially funded. Projects cannot receive only a portion of their AHSC request and additional funds will carry over to future Round.

Other

- Appendix A: Definitions updated throughout for clarity.
- Appendix A: Net Density definition clarified to allow for septic facilities to improve access for rural projects.
- Appendix B: Added AB1010 language (now HSC Section 50406) to allow for additional tribal access. Explicitly reference AB1010 (2019), not just the code, based on stakeholder feedback.
- Regional Planning: Staff is finalizing a Sustainable Communities Strategy questionnaire (to replace SCS letter) and will provide a public list of contacts for Applicants to reach out to for their SCS/RTP alignment confirmation.
- Mapping requirements are simplified (less maps required, and less technical expertise required)
- Alignment in Traffic Calming list between CARB User Guide and Guidelines.
- Score letters: GHG score will not be calculated until after appeals. Initial Score letter will only provide MTCO_{2e}. Narrative score may be included in Initial Score Letter.

Changes in Draft Guidelines that were Modified or Reverted to Previous Rounds

- **Anti-Displacement Modifications:** Staff attempted to strengthen accountability in the Anti-Displacement section for Round 7, but stakeholders expressed significant concern for their ability to achieve the proposed activities. Staff removed some of the options that stakeholders expressed concern about, and staff reduced the requirement of two activities to just one activity for maximum points, halving the expected workload while retaining the same number of available points.
- **Appeal of Award Cancellation Restored:** Staff had removed language that allowed an award recipient to appeal a notice of intent to cancel their award. This language has been restored.
- **Bus Rapid Transit (BRT) Definition Modified:** After suggesting a significantly more restrictive definition for Bus Rapid Transit (BRT) in the Draft Guidelines, staff received significant concern from stakeholders. The increased restrictions would likely have reduced the pool of potential TOD projects and increased the pool of ICP projects, which is already over-subscribed. Staff further refined the BRT definition with these concerns in mind.



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- **Construction Timeline Restored:** Construction timeline was incorrectly changed to 2 years from award date. Restored to 5 years from award date, matching previous rounds.
- **Emerging Developers, BIPOC Developers, and Community Based Developers Removed:** These terms were determined to be unclear and not verifiable by staff, so references and policies related to these terms have been removed.
- **Enforceable Funding Commitment (EFC) Alignment with SuperNOFA:** Staff aligned the EFC definition to exclude Tax Credit Allocations to align with the HCD SuperNOFA. This change conflicted significantly with the existing AHSC Threshold requirement for applicants to demonstrate 90 percent EFC and would likely result in elimination almost every potential AHSC project. Staff has removed the 90 percent requirement from AHSC Threshold to align with SuperNOFA.
- **Food Bank Established as Key Destination:** Staff proposed adding Food Bank as a Key Destination to offset the historic racist practice of redlining, creating food and finance deserts in under-resourced communities and communities of color. Stakeholders requested that Food Bank be identified as its own category of Key Destination, rather than combined with other Key Destination categories.
- **Homeownership Projects:** Staff made multiple technical changes to clarify eligibility and scoring for Homeownership projects.
- **Improvements to Existing Transit Clarified Intent:** Staff included language to clarify that the newly created 'Improvements to Existing Transit' section was intended to encourage applicants to focus improvements along one single route, rather than throughout the Project Area.
- **Legal Challenges and Appeals to CEQA or NEPA:** Staff had removed language allowing applicants an additional 30 days after application due date to resolve any remaining legal challenges or appeals related to CEQA or NEPA in the Draft Guidelines. This language has been restored.
- **STI Points Restored and Modified:** Given the significant amount of work required to plan and coordinate bikeways and walkways, additional points from the deletion of Zero Net Energy (ZNE) section (see below) have been assigned to the construction of STI components, which had been re-assigned to Local Bus Improvements in Draft Guidelines.
- **Transit Operations Required at Time of Application Except Rural Projects:** In previous rounds, conflicting language allowed ICP and RIPA projects to pass Threshold Review without Qualifying Transit operating at time of application. Staff recommended deleting this language for clarity and accountability, but stakeholders requested this be maintained. Previous round applicants rarely, if ever, used this exception. However, since some rural projects may not have transit operating at time of application, staff has modified Draft language to allow RIPA projects to pass threshold so long as the Qualifying Transit is in operation at time of Certificate of Occupancy, rather than application due date.
- **Zero Net Energy:** Staff attempted to restore points for projects achieve Zero Net Energy on an escalating scale, as was found in Rounds 3 through 5. Stakeholders expressed concern that this would disincentivize projects greater than three stories, since Zero Net Energy is functionally impossible for taller buildings, due to the ratio of solar panels to energy needs of multiple homes. Further, Zero Net Energy is very difficult for projects with All Electric Design (newly established as Threshold) at any height. This section has been deleted and the 5 points have been redistributed to other sections of Quantitative Scoring Policy.



Additional Goals for Future Work:

- Alignment with Affirmatively Furthering Fair Housing (AFFH): Strong opposition to using TCAC Opportunity Maps. Narrative, Programs, and new internet requirements align with AFFH goal to improve mobility and access to high opportunity areas.
- Alignment with SALC: Will award points for projects that align with priorities identified in SALC work. No additional alignment identified at this time.
- California Utilities Allowance Calculator: Continue to work with partners at the California Energy Commission (CEC) to support and implement the California Utilities Allowance Calculator (CUAC) as part of AHSC.
- Co-location of Key Destination: Strong opposition from stakeholders. Unable to craft appropriate verification process.
- Planned High Quality Transit: Added complexity and difficulty in verification for projects that are seeking to confirm new HQTAs to compete in TOD category led team to not move forward with recommendation.
- Standardization of Transit Ridership: Staff continuing to work with Caltrans ITP to develop a pilot tool for agencies to calculate ridership. Since the tool is currently limited in scope, agencies will not be required to use the tool in Round 7. Agencies will be asked to provide more documentation than previous years for a stricter verification of ridership assumptions.