

August 30, 2023

Subject: Affordable Housing and Sustainable Communities (AHSC) Program
Round 7 Project Awards**Reporting Period:** April 2023 – August 2023**Staff Lead:** Marc Caswell, AHSC Program Manager, California Strategic Growth Council

Recommended Action

Approve staff recommendation to award \$757,471,361 from FY 2021-2022 cap-and-trade revenues, along with disencumbered funds from previous AHSC rounds, to fund 21 projects per the staff recommendation in this report and in Attachment A.

Summary

The AHSC Round 7 Notice of Funding Availability (NOFA) made approximately \$750 million available to fund projects ranging from \$10-\$50 million that meet the goals of the program. The program received fifty-three (53) submissions, with thirty-six (36) projects meeting threshold requirements after review. Of those thirty-six (36) eligible projects, AHSC staff recommends 21 for the award, for \$757,471,361 in funding. Upon approval of this round of awards, AHSC will invest more than \$3.1 billion in communities across California throughout the life of the program.

Background

About the AHSC Program

The AHSC Program, as part of California Climate Investments (CCI), provides competitive grants and loans to projects that will achieve Greenhouse Gas (GHG) emission reductions through the development of affordable housing and housing-related infrastructure, active transportation infrastructure, transit operations and capital improvements, and related social programming. Most of the funding provides direct and meaningful benefits within Disadvantaged and Low-Income Communities. AHSC is structured to encourage partnerships between local municipalities, transit agencies, and affordable housing developers to achieve the integration of affordable housing and transportation projects.

Recommended Projects for Award

After carefully reviewing all submitted applications, the staff recommends that the Council award funds to 21 projects for a total of \$757,471,361.

AHSC's seventh Notice of Funding Availability (NOFA) included approximately \$750,000,000 in funding. In addition to the funds identified in the NOFA, the program had access to an additional \$18,555,323 from two projects which were disencumbered at the request of the awardees in the Spring of 2023. These projects are as follows: Round 2 award to Fresno's South Stadium Project (\$5,738,730) and Round 6 award to San Jose's Dupont Apartments (\$12,816,593). Combined, these funds allowed the program to fully expend the NOFA amount without undermining a

project's complex and complementary nature by awarding partial funds, per AHSC Round 7 Guidelines Section 108(i)(2).

These funds will support the creation of 2,552 new homes that will be subject to a recorded covenant ensuring affordability for a duration of at least 55 years. In addition to creating housing in 16 jurisdictions across the state, these projects will also support the purchase of 150 new Zero Emission Transit Vehicles, as well as the construction of more than 50 miles of bikeways and dozens of curb ramps, crosswalks, and miles of sidewalk repairs to create safe, accessible walkways. The projects will also fund the installation of dozens of bus shelters, trees, lighting, and other public improvements to minimize exposure to inclement weather (i.e., heat exposure), improve safety, and beautify communities across California. These projects will reduce 807,404 MTCO_{2e} of greenhouse gases through green building investments and transportation improvements.

The recommended projects provide blueprints for sustainable, affordable developments across California, including at least one project in each of the eight geographic areas identified in the Guidelines. To support California's diverse communities, AHSC funds three Project Area Types: Transit-Oriented Developments (TOD), Integrated Connectivity Projects (ICP), and Rural Innovation Project Areas (RIPA). Of the 21 projects, 11 awards are to TOD, 8 to ICP, and 2 to RIPA. This includes an award to the Kashia Band of Pomo Indians of the Stewarts Point Rancheria to achieve our goal of funding at least one Tribal Entity. Based on the competitive process outlined in the Guidelines and in accordance with the program's statutory objectives, staff recommends these awards. All Council-approved objectives, except for one, have been met—there were not enough applications to reach the RIPA 10% funding goal.

Background on the Application Process

Council adopted AHSC Round 7 Guidelines on December 15, 2022. HCD released AHSC Round 7 NOFA on January 30, 2023, which was amended on March 15, 2023, to reference the Department's updated Negative Points Policy. Applications were due April 4, 2023.

All 53 applicants were considered through a competitive process, beginning with a threshold review. Of the fifty-three (53) submissions, fifteen (15) projects were disqualified as they did not submit a complete application to assess the proposed project's feasibility and compliance with the AHSC Program and application requirements. One applicant withdrew from consideration during the review process and one project was deemed ineligible for award based on project feasibility analysis in Phase III of Application Review. This brought the total amount of eligible projects available for consideration to thirty-six (36) applications. Of those projects, 21 were selected for award and have undergone detailed financial feasibility to confirm their potential to succeed.

More details on each stage of the review process are available in the [AHSC Round 7 NOFA](#).

AHSC Goals and Targets

The AHSC Program includes project goals related to a variety of criteria, beyond project scores, which are described in the AHSC Round 7 Guidelines and NOFA. Section 108(h) of the Round 7 Guidelines laid out a clear process to meet our program goals, where the highest scoring projects would be awarded – only deviating from that process to achieve the statutorily-required and Council-approved goals. Below is a summary of these goals and the Round 7 staff recommendations for projects.

- **Statutory Requirement:** Housing Funds. A minimum of half (50 percent) of the total AHSC Program expenditures must be dedicated to affordable housing.
- **Statutory Requirement:** Disadvantaged Communities. A minimum of half (50 percent) of total AHSC Program expenditures must also be invested to benefit Disadvantaged Communities, as identified by CalEnviroScreen 4.0.
- **Council Goal:** Project Area Type. Ensure a minimum NOFA amount is awarded to each project area type (35% TOD; 35% ICP; 10% RIPA).
- **Council Goal:** Geographic. Ensure at least one project is awarded in each of the eight geographic regions identified by Council.
- **Council Goal:** Tribal. Ensure that at least one project is awarded to a tribal entity.

The 21 projects recommended for award in Round 7 achieve all but one of these goals. The 10% RIPA goal was not reached, however, both rural projects that applied will be awarded, totaling 7.4% of the NOFA for \$55,419,034.

Next Steps

As the team completes our work for Round 7 AHSC Awards, we have already embarked on efforts to update the guidelines and processes for Round 8 and working with our partner agencies and partners to finalize the schedule. More details will be announced on the AHSC Program webpage and program newsletter in the coming months.

Council Recommendation

Should the Council agree with Staff's recommendation, the following motion language is suggested:

"I move that the Council approve staff recommendations to award \$757,471,361 from FY 2021-2022 cap-and-trade revenues, along with disencumbered funds from previous AHSC rounds, to fund 21 projects per the staff recommendation in this report and in Attachment A."

Attachments

Attachment A: AHSC Round 7 Awards

Attachment B: Map of Round 7 AHSC Recommended Awards

Attachment C: Project Descriptions for AHSC Round 7 Awardees