

August 22, 2024

Subject: **Affordable Housing and Sustainable Communities (AHSC) Program
Round 8 Project Awards – Updated August 19, 2024**

Reporting Period: March 2024 – August 2024

Staff Lead: Marc Caswell, AHSC Program Manager

Recommended Action

Approve staff recommendation to award \$685,354,807 from FY 2022-23 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 8 Notice of Funding Availability (NOFA) made approximately \$675 million available to fund projects ranging from \$10 million to \$50 million that meet the goals of the program. The program received 45 submissions, with 38 projects meeting threshold requirements after review. After scoring was complete, one additional project withdrew from consideration. Of the 37 eligible projects, AHSC staff recommends 21 for award, for a total of \$685,354,807 in funding. Upon approval of this round of awards, AHSC will invest more than \$3.8 billion in communities across California throughout the life of the program.

The list of 21 projects was updated during the week of August 19, 2024. Due to an error in the post-appeal review scoring process, an incorrect list of projects was uploaded previously. SGC apologizes for the confusion. Immediate action is being taken to implement measures to prevent such errors in future rounds. SGC will provide an extensive debrief with all unawarded applicants and look at TA opportunities for future rounds of AHSC and other funding sources via our Connecting Communities strategy.

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, staff recommends that the Council award funds to 21 projects for a total of \$685,354,807

AHSC's eighth Notice of Funding Availability (NOFA) included approximately \$675,000,000 in funding. In addition to the funds from the Greenhouse Gas Reduction Fund (GGRF), the program's Round 8 applicants had access to funds from projects which were disencumbered. Combined, these funds also allow the program to fully expend the NOFA amount while also honoring each project's complex and complementary nature by awarding only fully-funded projects, per AHSC Round 8 Guidelines Section 108(i)(2).

These funds will support the creation of 2,179 new rent-restricted homes, with more than two thirds of those units dedicated to Extremely or Very Low-Income households. In addition to creating housing in 18 jurisdictions across the state, these projects will also support the purchase of 44 new Zero Emission Transit Vehicles, installation of approximately 90 new bus shelters, approximately 50 miles of bikeways, as well as repair and construction of more than 60 miles of sidewalks to create safe, accessible walkways. These projects will reduce an estimated 506,424 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, seven awards are to TOD, 10 to ICP, and four to RIPA.

Based on the competitive process outlined in the Guidelines and in accordance with the program's statutory objectives, staff recommends these awards.

Background on the Application Process

Council adopted AHSC Round 8 Guidelines on Dec. 14, 2023, HCD released AHSC Round 8 NOFA on Jan. 19, 2024, and AHSC Round 8 applications were due March 19, 2024.

All 45 applicants were considered through a competitive process, beginning with a threshold review. Of the 45 submissions, three 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. An additional four projects did not pass Program Threshold Requirements and one applicant withdrew from consideration during the review process. This brought the total number of eligible projects available for consideration to 37 applications. Of those projects, 21 were recommended 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 8 [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 8 Guidelines and NOFA. Section 108(h) of the Round 8 Guidelines lay 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 8 staff recommendations for projects.

- **Statutory Requirement:** Housing Funds. A minimum of fifty percent of the total AHSC Program expenditures must be dedicated to affordable housing.
- **Statutory Requirement:** Disadvantaged Communities. A minimum of fifty 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 8 achieve all but one of the five objectives listed above. Despite the state-funded Technical Assistance team working closely with three tribal applicants in advance of the NOFA, no tribal entity submitted an application for Round 8, so there were insufficient applications to meet this set-aside. SGC staff continue to work with tribal representatives and advocates to identify ways to increase tribal access to the program. According to one of our Technical Assistance providers, California Coalition for Rural Housing, the three tribal projects chose not to pursue Round 8 funding for the following reasons:

- Difficulty solidifying partnerships with local transportation agency before application deadline
 - Local agency required Limited Waiver of Sovereign Immunity
- Tribal Council did not want to commit to a loan (preferred grant only)
 - Since the project was not seeking LIHTC, a loan is not necessary
- Limited capacity to complete application and authorize decisions during application period due to tribal staffing changes

Additionally, there were a limited number of applications from areas designated as a Disadvantaged Community (DAC) this round, requiring staff to utilize the DAC set-aside, prioritizing the awards to lower-scoring projects that are located in a DAC. Despite a statutory requirement that fifty percent of funds go to projects located in a DAC, only thirty-nine percent

of requested funds were for projects located in a DAC. Therefore, staff was required to award 11 of the 14 eligible projects that will be located in a DAC to meet this statutory requirement.

Next Steps

As the team completes our work for Round 8 AHSC Awards, we have already embarked on efforts to update the guidelines and processes for Round 9 and working with our partner agencies and partners to finalize the schedule.

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 \$685,354,807 from FY 2022-23 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 8 Awards

Attachment B: Map of Round 8 AHSC Recommended Awards

Attachment C: Project Descriptions for AHSC Round 8 Awardees