



June 7, 2022

AHSC Draft Round 7 Guidelines: Policy Discussion Response Summary

Action:

This item is a Discussion Item, and no action is requested. The Council's feedback on the contents of the document and policy direction on the "Key Questions and Next Steps" is requested.

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 for updates to the Round 7 Affordable Housing and Sustainable Communities Program (AHSC) Guidelines and the AHSC Greenhouse Gas (GHG) Quantification Methodology and Tool. This document summarizes the engagement completed to date and summarizes feedback we have received on the policy topics proposed in the [AHSC Draft Round 7 Guidelines: Policy Discussion Document](#), which was open for comment until May 31st, 2022. These comments, along with strategic policy direction from the Strategic Growth Council members will inform the development of the Round 7 FY22-23 Draft AHSC Guidelines, planned for release in late summer 2022, and the AHSC GHG Quantification Methodology and Tool. Final Guidelines and Notice of Funding Availability (NOFA) are planned for released in October 2022.

Deadline:

The AHSC staff is actively working on updates to Round 7 Draft Guidelines, and this document is one step in the process. The team will present this document to the Round 7 AHSC Interagency Advisory Committee for feedback on June 9th, 2022, and to the Strategic Growth Council at the June 28th, 2022, Council Meeting. While the public comment period for the Policy Discussion Document is now over, the team will continue to solicit public input, primarily through formal public comment on the Draft (Redline) Guidelines during late Summer 2022 and Final Draft Guidelines in October 2022. These opportunities will be announced via the [AHSC News & Update Announcement List](#).

Executive Summary:

Since the completion of the AHSC Round 6 award cycle, the AHSC Program staff has undertaken a significant outreach and engagement effort, consisting of dozens of meetings with members of the public, past and prospective applicants, advocates, and staff from State Agencies to help inform and develop a list of proposed changes to the AHSC Guidelines and AHSC GHG Quantification Methodology and Tool. The outcome of this work was the [AHSC Draft Round 7 Guidelines: Policy Discussion Document](#), publicly released on April 26th, 2022. Public comments were requested by May 31st. During the public comment period, AHSC staff held an open call for virtual 'Drop-In Sessions' where any member of the public could meet with the team to comment on or seek clarity on any topic related to



June 7, 2022

AHSC. This document seeks to summarize the feedback the AHSC team received and identify key policy questions that will inform the writing of the Draft Guidelines for AHSC Round 7.

While there was significant feedback on many topics, there were three specific topics that were of special interest to the members of the Strategic Growth Council, that we wish to address here in the summary.

Regional Distribution: At the January 26, 2022, meeting, SGC councilmembers directed AHSC staff to “evaluate scoring and quantification methodologies to reflect regional differences and report back to the council prior to finalizing methodology for the next round.” In response to this request, AHSC staff conducted analysis of application rates, award rates, GHG reductions and points of specific projects, and overall funding of projects in Rounds 5 and 6. The analysis did not find geography-based variables introducing inherent regional bias in the AHSC GHG Quantification Methodology and Tool. The AHSC team remains committed to increasing our Capacity Building and Technical Assistance efforts to projects in areas that have underperformed in awards relative to their population. The AHSC team has also continued its dialogue with regional advocates and agencies that feel they are underperforming and is working to create more peer-to-peer learning opportunities with staff at regions that have had greater success to help inform their pipeline planning.

Supporting Enhancements to Local Bus Service: One of the greatest differences in application performance between regions is the amount of projected GHG reductions from transportation projects. Staff confirmed that the regional differences in the quantification tool are well-founded in research, and are not worsening disparities between regions; instead, the projects with lower GHG scores are often ones with low transit ridership estimates, as provided by the transit agency. AHSC staff has convened stakeholder listening sessions on the topic of transportation and staff remains committed to identifying the best tools to aid transit agencies in using more standard and verifiable ridership models. Additionally, advocates and stakeholders have identified that the AHSC program can further support anti-displacement efforts, improve access, and reduce GHG emissions by giving greater weight to local bus service enhancements in the application. The Policy Discussion Document includes a proposal to quantify and award points to projects that support improvements to existing local buses as a strategy to increase less automobile-dependent land uses and transportation projects by using AHSC funds to help residents travel in a localized way. This change aims to support more local bus trips and increase access to AHSC funds for projects in areas that are seeking to enhance, rather than expand their transit network.

All-Electric Buildings: At the January 2022 Council meeting, Council Members expressed broad support for moving All Electric Design (no fossil fuel connections) to a threshold requirement for all AHSC applications (G3). In Round 6, nearly every project that applied for funding received all 7 points for All Electric Design, demonstrating it is possible for projects across the state to achieve this goal. This proposal drew the most comments of any proposal in the document. While most stakeholders supported the change, some requested a phased-in approach to this policy. It is staff’s belief that the inclusion of this category last year, along with the broad discussion of All Electric Design as part of the 2022 update to the California Building Standards Code have provided ample opportunities for engagement on this topic. AHSC should remain ahead of the curve on topics such as these, as we are not



June 7, 2022

a regulatory body, but a competitive awards process. The AHSC staff proposes to reallocate the seven points for All Electric projects in the Round 6 application to projects that can achieve Net Zero Energy Use in the Round 7 application (G2). The proposal received mixed reviews from stakeholders but was generally viewed favorably.

Summary of Outreach:

The AHSC team has diligently worked to conduct broad outreach and seek many opinions on the proposals in this document and we thank the hundreds of people who have provided insightful thoughts on the topics at hand. Below is a summary of the outreach we have conducted to date, along with a plan for continued engagement.

November 2021:

Council Presentation: At the November 2021 meeting, SGC Councilmembers provided guidance and high-level policy direction on [topics for the future of the AHSC Program](#).

December 2021:

Staff released a 20-question survey seeking feedback on the program overall, policy priorities, and an open-ended question for recommendations for policies. More than 50 respondents completed the survey.

January 2022:

Council Presentation: At the January 2022 meeting, SGC Councilmembers discussed the Round 6 award recommendations, and provided additional guidance on how to shape the program going forward. This included a request to analyze regional differences in access to the program. Appendix B of the [Policy Discussion Document](#) is a direct response to this request. The analysis helped inform the entire document and our recommendations.

January & February 2022:

5 Large Stakeholder Listening Sessions: With more than 200 participants in total, staff convened policy experts, advocates, Technical Assistance providers, and previous and future applicants to discuss five key focus areas: Housing, Transportation, Rural & Tribal Issues, Climate & Green Buildings, and Regional Balance. These conversations were foundational to identifying areas of focus going forward.

Small Group Conversations: Staff worked with policy area experts on the AHSC GHG Quantification Methodology, on topics related to Homeownership and on AHSC Transportation components. These conversations occurred on an ongoing basis and continue today.

April 2022:

Advisory Committee Meeting 1: SGC Councilmembers and their representatives identified 1-4 staff members to serve on the AHSC Round 7 Advisory Committee. The Advisory Committee meets at key points in the process and provides feedback on draft materials to ensure the AHSC program is meeting the shared goals of State Agencies, the Legislature, and the Governor.

Policy Discussion Document Released: Informed by all discussions to date, AHSC staff finalized a Policy Discussion Document that included nearly 80 detailed changes to the AHSC Round 7 Guidelines and AHSC GHG Quantification Methodology and Tool. This document was sent to the more than 3,000



June 7, 2022

subscribers of the [AHSC News & Update Announcement List](#). The document was also highlighted in the Monthly SGC Newsletter. Feedback was requested by May 31st after a 30-day comment period.

May 2022:

Internal Outreach to State Employees: AHSC staff gave short presentations to multiple Working Groups and Technical Advisory Committees focused on housing, transportation, and energy, soliciting further comments from staff who may not have already been engaged in the AHSC program. The goal of these presentations was to encourage participation in the State Interagency Meeting.

State Interagency Meeting: AHSC staff worked to bring together a diverse group of state employees who had expertise on a variety of topics at an Interagency Meeting. Unlike the Advisory Committee meeting, staff was encouraged to contribute their own perspective rather than that of just their Agency. This allowed the team to dive deep into topics that individuals were passionate about and to use the meeting as a springboard for further engagements with interested staff across various agencies. This meeting was attended by 30 staff and resulted in more than 10 additional follow-up meetings focused on specific items identified in the Policy Discussion Document. More of these meetings are scheduled for the future.

Virtual 'Drop-In' Public Meeting: Staff hosted virtual, 20-minute 'drop-in' meetings where members of the public were invited to discuss any AHSC topic they wished. These meetings took place over two weekdays and more than 20 people participated in these meetings as individuals or groups.

June 2022:

Summary of Engagement and Comments: Following receipt of 23 public comment letters to the Policy Discussion Document, AHSC staff collected and categorized comments into specific topic areas. All comment letters were reviewed by Strategic Growth Council AHSC staff, and the summary of those comments, and initial responses, can be found in this document.

Advisory Committee Meeting 2: Members of the Round 7 AHSC Advisory Committee received and provided feedback on the draft version of this document. Members also provided guidance on how best to proceed with the items identified in the 'Key Questions and Next Steps' section at the conclusion of this document.

Council Presentation: At the June 28th, 2022, Council Meeting, SGC Councilmembers will receive a presentation on this document, along with content from the Policy Discussion Document, including Appendix B.

Future 2022:

Stakeholder Listening Sessions Follow-Up: Stakeholders who attended the first round of Listening Sessions and other public stakeholders who indicated interest in joining, will be invited back to discuss how AHSC Guidelines changes are responding to input throughout this process.

Draft Guidelines Release: In late Summer 2022, AHSC staff will release Draft Round 7 Guidelines and solicit feedback over a 30-day comment period. The document will be shared via the [AHSC News & Update Announcement List](#).



June 7, 2022

Draft Guidelines Public Workshops: As defined in AHSC enacting statute, the AHSC team will host two public workshops to discuss the proposed changes to the guidelines during the 30-day comment period. One meeting will focus on attendees from the northern part of the state, and the other will focus on attendees from the southern part of the state as required by statute. It is not yet determined if these meetings will be in-person, but it is highly likely that they will be virtual given the unknown nature of the ongoing COVID-19 pandemic. Information on these meetings will be shared via the [AHSC News & Update Announcement List](#).

Final Guidelines Release: After receiving feedback on the Draft Guidelines, Final Guidelines will be published in advance of the October 2022 SGC Council meeting with a 10-day comment period. The Final Guidelines will be presented publicly at this meeting, with the goal of adoption of the Guidelines and the official release of the Notice of Funding Availability (NOFA) for Round 7 of AHSC. Applications will be due in February of 2023, with award announcements scheduled for June of 2023.

Stakeholder Feedback

The following section includes a summary of the feedback from public comment letters during the 30-day comment period regarding the [Policy Discussion Document](#). The AHSC team received 23 letters from across the state and we thank everyone who took the time to review the materials and provide input on the process. We have anonymized and summarized the comments in each of the categories following the structure of the Policy Discussion Document. In some instances, we have provided direct quotes from the letters, while others are solely a summary. Given the complexity of the program and topics covered, we are unable to address every point made in each letter, but the team has worked hard to provide context to the public, the SGC Council Members, and stakeholders across the state in our summary below.

A. GHG Scoring

Most public comments supported the GHG score changes described in A1, under the assumption that reducing the impact of transit GHG reductions would make projects that place a greater emphasis on other sources of reduction (such as housing) more competitive. As stated in the Policy Discussion document, staff planned to conduct further analysis on this and other changes. The CARB analysis on the impact of this change on Round 6 applications found that the change would add complexity to the scoring and did not have meaningful impact, with A1 inconsistently (and insignificantly) increasing or decreasing the GHG rankings of projects with low transit GHG reductions.

After further analysis, CARB does not plan to implement the change to bin projects based on the average auto trip length they reduce (A2). Change A2 responds to the concern that short distance transit projects cannot compete in the program when scored against long distance transit projects and received five supportive comments and no opposition. CARB conducted an analysis on the impact of this change by applying it retroactively to Round 6 applications. Out of the 15 projects with short distance transit, A2 would have increased the GHG rank of only one project in one project area type. The results showed that A2 did not improve the GHG ranking of projects with short distance transit.

June 7, 2022

Including change A1 and A2 would introduce additional complexity to the binning process which stakeholders have described as a “black box.” This change does not support one of the guiding principles outlined in the Policy Discussion Document for making recommendations that we work to “improve clarity for applicants and/or reviewers.” Therefore, CARB does not plan to pursue these changes.

B. Transit GHG Quantification

CARB staff will pursue the change to further account for local transit conditions (B1). AHSC staff will work with Caltrans and transit partners to pursue the proposed change to account for local transit conditions and align with other California Climate Investment quantification methods such as the Transit and Intercity Rail Capital Program. We received one letter of support for this change, and none opposed. One comment suggested incorporating non-commute and non-peak hour service into the analysis. This may be explored for future rounds given availability of data and ease of incorporation into the quantification tool but may not be possible for this round.

CARB staff will also seek to standardize ridership estimates (B2). AHSC staff will work with Caltrans and transit partners to pursue the proposed change to standardize ridership estimates, guidance, and/or verification, and align with other California Climate Investment quantification methods such as the Transit and Intercity Rail Capital Program. The overwhelming majority of comment letters support the change, with one supporting letter requesting that micro transit projects be scored “equally.” CARB staff will continue to evaluate the suggestion further.

C. Housing GHG Quantification

CARB staff will pursue an effort to account for job accessibility based on regional job density rather than proximity to a central business district (CBD) (C1). The only comment came from an advocacy organization supporting the change with a caveat that this should not place undue burdens on applicants. The proposed change will be based on readily available data that should not create excessive work for applicants, while allowing for better estimates of job accessibility.

Quantifying the GHG reductions for Senior Housing projects and other projects has remained a focus for the AHSC program over the years. CARB staff continues to evaluate the trip rates and associated VMT for senior housing projects (C2) before making a final recommendation for Round 7.

CARB staff is actively pursuing research around baseline VMT, proximity to transit, and bedroom count versus dwelling unit count (C3). A pre-proposal solicitation was released on June 3. Details on the statement of work can be found at: [Assessing the Quantification Methodology for the Affordable Housing and Sustainable Communities Program | California Air Resources Board](#). One opposing letter from a developer argues that a bedroom-based density measure would harm projects with more studios and one-bedrooms, while two supporting letters (also from developers) argue that the change would support more family units. This research will help inform if future changes to the AHSC GHG Quantification Methodology are necessary.

D. Add the following quantification elements

The addition of shared new mobility (D1) and reductions in emissions related to water heating (D2) to the GHG Quantification Tool received mixed reviews. While some favored the inclusion

June 7, 2022

of these components, others were concerned that the required documentation would outweigh the actual GHG benefit reductions. CARB staff are assessing these changes to the AHSC GHG Quantification Tool before making a firm recommendation. If included, there will be no requirement that projects include these investments in their quantification tool and will therefore be left to the discretion of the applicant if they wish to include those components.

E. Technical Fixes

While there was disagreement on implementing documentation related to solar components (E1), there is already a requirement for documentation and the intent of our work is to improve clarity of documentation in the review process.

CARB staff will pursue policy change to implement a simpler binning and scoring process and award the highest scoring applications within each project area type and with remaining discretionary funds (E3). Staff tested this scenario by applying this change retroactively to applications from Rounds 5 and 6 to understand if it would have had any disproportionate impact to the GHG competitiveness of regions or project area types. The analysis showed that this change did not disproportionately impact the GHG rank (which determines the likelihood of project selection) of projects in any one region nor project area type. As anticipated, this change would decrease the overall GHG and total scores for all projects; however, this has no impact on the number of projects that would be awarded within each project area type, since projects will still compete within their project area type. The comments expressed concern about potential unintended consequences and negative impressions of lower-scoring projects (in RIPA areas) getting funded over higher scoring ICP and TOD projects. This change is meant to simplify the binning process and ensure the highest scoring projects are selected with discretionary funds.

F. Active Transportation Improvements

There was resounding agreement on standardizing bikeway mileage (F2), clarifying allowance for enhanced/upgraded bikeways (F4), and documentation of Context Sensitive Bikeways (F5). All letters received were in support of the proposed changes.

There were mixed responses to aligning the definition of Class III bikeway designations with that found in the AHSC GHG Quantification Methodology (F3). Some noted that the change would make "for a better bike facility design", while others requested clarification or expressed concerns that it would make it more difficult for some jurisdictions to achieve these points. While staff understands that not all jurisdictions are ready to commit to transformative bikeways, incentivizing these types of changes are the fundamental purpose of the program. Furthermore, the alignment between the AHSC GHG Quantification Methodology and the AHSC Guidelines remains a top priority for the program.

There was general agreement with the proposal to clarify context sensitive bikeway network connectivity (F6). There was one clarification requested on a specific scenario asking if a project would receive points for Bikeway Connectivity (Section 107 (b) (2)) "in the case of a proposed context sensitive bikeway that is located within a longer proposed bike facility that directly connects to existing bike facilities." As the proposed change states, applicants will only be



June 7, 2022

eligible if the proposed Context Sensitive Bikeway (CSB) is *directly* connecting to an *existing* facility (regardless of class type or context sensitivity).

Only one comment letter referred to the proposed change to redistribute the four points for the descriptive nature of bicycle and pedestrian facilities (F7). The commenter, a locality, expressed opposition to the change stating that the points are meaningful in their view. Staff will take this into consideration, along with the support of other changes proposed in this section.

There was general support for refining the Pedestrian Link section (F8). Some stakeholders agreed with the removal of the section, while others offered possible options applicants could undertake to achieve the Pedestrian Link point. Staff will take this into consideration, along with the support of other changes proposed in this section.

Overall, stakeholders agreed with the proposed change to include Local Bus Service Enhancements (F10) to incentivize this crucial community-wide improvement. Comments that either agreed with modifications, or disagreed, pointed to limitations imposed by the current list of eligible bus service enhancements. However, concerns with the list of enhancements seemed to offer contradictory perspectives on which areas may be able to make use of the existing list. Since publication of the Policy Discussion Document, AHSC staff have met with Caltrans staff, and will continue to discuss which items should (and should not) be included in this list to ensure access to the program across the state that can benefit agencies and transit users alike.

G. Green Buildings and Renewable Energy

There was significant feedback from stakeholders on Section G, with many divergent opinions on the proposed topics. The proposal to provide a template for commitment to green building standards (G1) received some concern that it would add additional evidence requirements. This change would improve clarity in the review process without increasing the burden on applicants, as it would provide a template for something applicants are already submitting if they intend to achieve points.

Making All Electric Design a threshold requirement (G2 and G3) drew the most comments of any proposal in the document, and while most stakeholders supported the change, some requested a phased-in approach to this policy. It is staff's belief that the inclusion of this category last year, along with the broad discussion of All Electric Design as part of the 2022 update to the California Building Standards Code have provided ample opportunities for engagement on this topic. AHSC should remain ahead of the curve on topics such as these, as the program is not a regulatory body, but a competitive awards process.

The reinstatement of Net Zero Energy points (G4) from previous rounds was met with mixed responses. While some supported the change outright, others requested a scaled approach, acknowledging that high density projects with small footprints may be unlikely to achieve true Net Zero due to the limited amount of space available for Photovoltaic Cells. Staff understands this concern and will create a scale that is appropriate.

June 7, 2022

Of all the letters received, there was unanimous concern/opposition to quantifying the embedded energy used in construction. The main opposition to including this component is related to the increased burden of documentation and reporting for applicants, with some expressing concern that these quantifications would not be possible at the point in development when a project would seek AHSC funding. While staff understands quantifying embedded energy in construction is a critical component to reducing GHG emissions across the state, we also understand that the AHSC program is already extremely complex, and this additional component would be a significant burden for applicants. However, it shall be noted that the AHSC program will continue to research ways to achieve this goal in future rounds.

The inclusion of energy storage (batteries) as an eligible cost was roundly supported, with one stakeholder requesting that "...this section on resilience be expanded to incentivize on-site energy storage as well as on-site greywater processing or on-site ground filtration systems and other storm water solutions." Staff will confirm this is acceptable to our partner agencies and include these opportunities if so.

There was significant opposition and concern around incentivizing or requiring all applicants to submit the California Utility Allowance Calculator (CUAC) (G8). Stakeholders raised the issue that this would create some conflict with "restrictions posed by public housing authorities or federal loan programs." Additionally, there are concerns that this would add additional costs and labor requirements in the immediate and long term. Staff recognizes these limitations as outlined by the received feedback. Any addition of this section would include a method to identify which projects this section may apply to and create a path for including CUAC that would not significantly burden applicants. For example, staff is still determining the best time in the AHSC process for requiring the use of CUAC, whether that be after application submittal or after awards. Additionally, though not explicitly stated, SGC is looking into ways of leveraging other state resources to help offset the cost of CUAC. AHSC staff will continue to meet with the California Energy Commission staff to determine the best path forward, while considering the thoughtful comments provided in the letters.

H. Housing and Transportation Collaboration

All the comments received for the three recommendations in Section H were positive. A few stakeholders requested expanding the recommendation to award points for projects that utilize Excess State Land or Surplus Local Land as identified by a Local Agency to include any land owned by a public agency including transit agencies. It is staff's intention to award additional points to any project utilizing public land that has been identified in this inventory, which would include land owned by local agencies.

I. Location Efficiency and Access to Destinations

There was general support for changes I1, I3, and I4 which covered changes around removing points for walkability (I1), documentation of Key Destinations (I3), and context sensitivity of Key Destinations (I4). On the documentation of Key Destinations, stakeholders expressed that if a form is required, a map should not be. Staff agrees that the intent is to reduce the number of

June 7, 2022

times this information is requested, while simplifying verification for reviewers. This decision will be taken in consideration with the change proposed to streamline mapping (O1). For the context sensitivity of Key Destinations (I4), some stakeholders expressed a preference for increasing the allowable radius over increasing points. This decision will be made taking into consideration feedback as well as alignment with the AHSC GHG Quantification Manual and the AHSC application workbook.

There was general agreement with the intent to further refine the list of potential Key Destinations (I5). Stakeholders offered input on the proposed changes, with some opposing the addition of "Publicly-operated Bike Share Stations" and one opposing the removal of "Place of Worship" as a key destination. A few suggested that the program align the Key Destinations with TCAC's Amenities list. Staff will explore where the AHSC Key Destinations list can better align with the amenities eligible through TCAC, while still being commensurable with the points associated with this section.

There was significant opposition to incentivizing of community-serving facilities (I8). The principal concerns regard the timing of the AHSC application in relation to project development, which would make it difficult to identify and sign commitments between the project developer and potential commercial tenants. Staff recognizes these limitations as outlined by the received feedback. However, there were some comments in support of the proposal, as well as others with concerns focused solely on the explicit size requirement outlined. As a result, staff will re-evaluate ways to both acknowledge the mentioned limitations, while encouraging and rewarding projects that include community-serving facilities as part of their development.

J. Funds Leveraged

The change proposed in this section was to the modify funds-leveraged components related to homeownership projects. Only one comment letter referred to Section J, which was a developer who works on homeownership projects. They expressed support for the proposed change, and AHSC staff continues to meet with homeownership stakeholders to improve access to the program for these critically important types of projects.

K. Anti-Displacement Strategies

Staff received several comments of concern on the proposal related to the Prohousing designation (K1). Since the publication of the Policy Discussion Document, AHSC staff has met with the team implementing the Prohousing Designation program and will continue to work with them to identify ways to implement the legislative requirements that we award points to applicants in Prohousing areas. As our partners at HCD continue to get this program up to full implementation, AHSC may opt to award points for projects in jurisdictions that have applied for the Prohousing designation.

The proposal to encourage greater community partnership through an MOU between applicants and a community-based organization to develop an Affirmative Fair Housing Marketing Plan (AFHMP) (K2), received mixed feedback. Many of the comments either requested clarification on CBO certification or raised concerns around timing and complexity. Staff will evaluate the

June 7, 2022

usefulness of the proposal, considering this feedback, and work with HCD to best align AHSC's AFHMP policy with the requirements of their portfolio of programs.

There was support for the proposal to remove the local policies and business anti-displacement sections as they were structured in the previous rounds (K3). Stakeholders offered mixed feedback on how the restructuring should proceed (K4), with responses that favored a shift to using an updated list of voluntary strategies, as well as those who raised concerns about a potential voluntary strategies list. Additionally, one commenter encouraged AHSC staff to consider how best to support emerging developers, especially, BIPOC-led development firms given requirements related to experience. Staff will continue to work to reduce barriers that perpetuate historic wrongs and welcomes a continued dialogue on this topic.

Others in support of K4 emphasized that the strategies should be "selected with the community" and that staff should look at encouraging their sustainability. Likewise, another group of stakeholders raised concerns surrounding the proposed K4 change and its efficacy in reducing displacement impacts. They noted a belief that "efforts around anti-displacement should be targeted to local jurisdictions rather than attached to AHDs."

Staff will work towards developing an approach that both connects the strategies to community needs and continued engagement efforts and prioritizes sustainable programs. Additionally, staff will explore ways to encourage projects to work through their local jurisdiction and CBOs to shape strategies that complement and leverage the affordable housing component. One stakeholder noted interest in finding a connection between the proposed transformative narrative section (P3), AFFH (M5), and the restructuring of the Anti-Displacement section. Staff will evaluate the suggestion as a potential method for reconciling the feedback raised by those in favor and those with concerns.

L. Local Workforce Development and Hiring Practices

Though there was only one item in this category (L1), public comment was unanimously in opposition to increasing reporting requirements or strengthening programs related to Local Workforce Development, due to a desire to reduce – rather than increase – complexity of the AHSC guidelines. Staff will continue to work with our partners at CARB and other agencies to ensure the program is meeting reporting requirements related to workforce topics and may adjust or eliminate the points related with this section based on continued feedback.

M. Housing Affordability

Recommendations to reduce points allocated for Extremely Low-Income unit percentages (ELI) (M1) while also increasing the percentage of ELI for maximum points (M2) received mixed reviews, with some stakeholders in support and others opposed. Staff's goal of these two recommendations was to create additional opportunity for points to incentivize more affordable family style units (M3). One letter stated, "If staff would like to incentivize larger bedroom sizes, it should adopt TCAC's requirement that 10% of all bedroom types are set-aside at ELI AMI percentages. This would not require shifting any points to M3 as proposed." Staff will explore this option further, as this may satisfy all three of the goals with minimal change to the guidelines overall.

June 7, 2022

An attempt to align our affordability scoring with the Affirmatively Furthering Fair Housing (AFFH) law, including use the TCAC Opportunity Maps (M5) drew significant opposition and concern from stakeholders, especially considering the legislative requirement that programs funded by GGRF are required to use more than 50% of the funds to benefit areas designated as a Disadvantaged Community (DAC). Some stakeholder comments note that the TCAC opportunity map is intended for mobility strategies and likely less appropriate for AHSC's place-based orientation. Staff acknowledges this potential disconnect and will reevaluate options for incorporating AFFH and access to opportunity through a place-based lens that looks at the issue in a context specific way. Many AHSC projects themselves offer ways to look at context specific access to opportunity based on how they offer access to or increase employment, safety, and education, through their siting or transportation options the site offers. Staff is looking at using HCD's [AFFH Data Viewer](#) as the primary reference tool instead of the TCAC Opportunity Map and will continue to work with our partners to identify further ways to align AHSC and AFFH.

N. Programs

Stakeholders were overall in support of removing the program section from Quantitative Policy Scoring, moving it to the Narrative Sections (N1). There were requests for clarification on why staff is recommending increasing the Program's Budget (N2). While the Policy Discussion Document included internet service as an example, staff did not specifically state that this decision was tied to Recommendation Q12, requiring that projects provide no-cost Internet Service to residents, which was the intent.

O. New Components

There was overall support for the change to require applicants to submit a KML/KMZ file of their maps, rather than requiring the submission of maps in a PDF format as application attachments. We believe that this will reduce graphic design burdens on applicants and improve consistency in the review/verification process for project scoring. Most importantly, this will significantly reduce long-term compliance and reporting requirements of the transportation components of projects. Given the ubiquity of mapping software including free software like Google Maps, this will not pose a significant barrier to applicants.

P. Narrative

Stakeholders were overall in support of moving to a prompt/answer format (P1). There were some concerns that this change does not result in a meaningful change from the current form, though others agreed that the "format of specific short answer prompts [would be] more likely to generate clear responses that can be evaluated for scoring." To clarify, this new format would also be accompanied with a reformatted rubric that would have a more specific point system. The intent of the change is that by providing specific prompts to applicants, they will all answer similar questions instead of the previous rounds' open-ended narrative. AHSC staff is speaking to other state staff on their experience with having such a format and has identified the Caltrans Active Transportation Program (ATP) application as a potential model.

Stakeholders were generally in agreement with adding a "transformative" section (P2), recognizing that the change is intended to complement the current scoring criteria. Any addition



June 7, 2022

of this section would include more specific scoring criteria, tied to objective definitions to help guide both applicants and reviewers. The proposed scoring criteria will be further refined with the respective policy experts.

Stakeholders were also generally in agreement with adding a narrative question to describe how a project meets the community's needs as identified in the jurisdiction's Housing Element (P3), as it would be a specific question related to Local Planning Efforts.

While there was general agreement in reducing additional materials associated with Narrative Responses (P4), there were some concerns that the trackers/logs would not be a meaningful substitute for some topics, like community engagement. Staff will explore how to reduce, and streamline required documentation, while also making sure that the spirit of the section is upheld.

Lastly, there were general comments of reducing or eliminating the narrative section. AHSC staff does not believe that would be appropriate, as reviewers can gain significant insight into the project that might be otherwise lost in the application workbook and attachments.

Q. Other Changes to the Program

Many of the recommended changes in the 'other' category received strong, unanimous support. These included allowing proposed transit improvements to qualify projects for TOD category (Q2) and streamlining the guidelines where possible to match the Multifamily Finance Super Notice of Funding Availability ("Super NOFA") (Q20). Many others received no indication of support or opposition, which we take to mean there is no concern with the recommendations.

A requirement that all projects provide high speed internet as a basic utility for residents (Q12) received significant attention, with general support and some questions. Thanks to the comment letters, we have identified two key questions staff need to clarify before moving forward: First, staff need to determine the length of time projects would be required to provide the service, which may be limited by the length of the loan or grant. Second, while multiple commenters expressed support for the proposal, they raised concerns that some areas of the state may not have the public infrastructure to achieve this goal. Since the SGC and the AHSC team have a desire to help ensure that all communities across the state have access to the program, staff will work to resolve this concern.

Staff proposed several changes regarding homeownership projects in the Policy Discussion Document. Stakeholders generally agreed with these proposed changes (Q4-Q7). For allowing homeownership projects to access AHD costs in the form of a grant (Q4), there was support for continuing to exempt homeownership projects from the Enforceable Funding Commitments (EFC) threshold requirements for grants (Q5), though there was a concern that "homeownership projects [should] be required to demonstrate some level of subsidy support." To clarify, homeownership projects would still have to demonstrate sufficient subsidy support to achieve financial feasibility, homeownership projects would simply be exempted from the 90% EFC threshold requirement to be able to apply to the program. There was no opposition to Q6,



June 7, 2022

though there was a suggestion on what the per-unit subsidy amounts should be. Staff is still coordinating with the appropriate stakeholders (internally and externally) and will take this into consideration.

Additional Topics raised by Comment Letters

Beyond the proposals found in the Policy Discussion Document, comment letters also used the opportunity to raise additional topics related to AHSC. Some were in support around the changes proposed to improve and expand tribal access to the AHSC program. Others were comments on threshold items like Enforceable Funding Commitment (EFC) requirements, developer fees, loan limits, award amounts, and disbursement processes.

In the case of EFCs, some requested that AHSC lower or eliminate the required threshold level of 90% EFCs, arguing that it would result in better alignment with the SuperNOFA. All programs under the SuperNOFA still require projects to demonstrate that they are financially feasible through EFCs, though those guidelines do not specify a set percentage threshold. Currently AHSC specifies the level of committed funding it requires projects to have secured, staff recognizes the importance of alignment and will evaluate if lowering the EFC threshold is appropriate for AHSC.

On increasing loan limits, a commenter requested increasing the AHD loan limits per unit. AHSC has done that in the past to encourage applicants to apply to AHSC instead of applying to multiple HCD programs with limited success. Staff does not intend to pursue this for Round 7. Please note starting in Round 7, AHSC will be adhering to HCD-wide loan limits as detailed in the SuperNOFA, including abiding by the exemptions the SuperNOFA details (Q20).

Another commenter requested that AHSC more clearly align the developer fee regulations with those that TCAC has and provided specific sections where the regulations can better align. Staff recognizes this and will work to align these regulations.

Some comment letters requested increasing the award amounts for each AHSC project. Staff will not pursue this, as we are also working to provide support for projects across the state. With current funding levels it will not be feasible to do so while meeting the other requirements and targets of the program.

One other comment letter asked SGC to consider disbursing program funds on an upfront basis, rather than reimbursements. Given nature of the funds and the types of projects AHSC funds, staff does not believe it would be appropriate to disburse funds on an upfront basis. Staff does not intend to pursue this.

Additionally, several letters continued to elevate the need to further simplify and streamline the process. Some note that not all the proposed changes would reduce requirements. Staff recognizes that not all changes proposed would reduce requirements. While the AHSC Round 7 Policy Discussion Document includes some technical changes under consideration, it does not include an exhaustive list of all the technical changes staff is considering streamlining or simplifying the process (e.g., consolidating where to find a list of required documents, providing

June 7, 2022

more templates or forms applicants can use, clarifying the application workbook, among others). Staff understands that the application process is complex, but also recognizes that the review and awards process is difficult when applicants submit insufficient or unclear materials and creating more direction to help applicants provide the correct information will help reduce risks of subjectivity and appeals.

Several letters also advocated for maintaining the geographic targets as established in Round 6 guidelines. The Round 6 geographic targets were considered a pilot for Round 6, and we believe that they served the program and applicants well. Staff recognizes the importance of maintaining these geographic targets and intends to maintain them for Round 7. Other letters proposed establishing further set-asides and targets around other goals. Given statutory requirements related to the GGRF, Project Area Type goals, regional targets, tribal targets, the ratio of remaining funds compared to the maximum award of \$30 million, there is simply not enough money to further limit or pre-designate the remaining 20% of program funds.

There were a few comments regarding transit and transportation, like the consideration of quick-build active transportation projects and the "quantification of GHG emission reductions associated with bus/vehicle replacement to electric or more efficient fuel types." Given the large amount of funding available for Sustainable Transportation Infrastructure (\$10M per project), the AHSC team believes that the program provides sufficient funds to complete permanent, high quality active transportation projects that are commensurate with the transformative, permanent nature of the affordable housing development found in our successful projects. Staff will continue to work with our partner agencies to find ways to support zero-emission transit vehicles and identify opportunities to quantify project outcomes.

There was one letter regarding the use of CalEnviroScreen3.0. As a part of California Climate Investments, AHSC will use the updated [Disadvantaged Communities designation](#) and the updated low-income community and household threshold collectively referred to as [priority populations](#) for Round 7. The updated designation includes:

- Census tracts receiving the highest 25 percent of overall scores in CalEnviroScreen 4.0 (1,984 tracts).
- Census tracts lacking overall scores in CalEnviroScreen 4.0 due to data gaps but receiving the highest 5 percent of CalEnviroScreen 4.0 cumulative pollution burden scores (19 tracts).
- Census tracts identified in the 2017 DAC designation as disadvantaged, regardless of their scores in CalEnviroScreen 4.0 (305 tracts).
- Lands under the control of federally recognized Tribes. For purposes of this designation, a Tribe may establish that a particular area of land is under its control even if not represented as such on CalEPA's DAC map and therefore should be considered a DAC by requesting a consultation with the CalEPA Deputy Secretary for Environmental Justice, Tribal Affairs and Border Relations at TribalAffairs@calepa.ca.gov.



June 7, 2022

One letter called for a blanket, two-year extension of deadlines for previously awarded projects due to the COVID-19 pandemic. While this document is focused on future work of Round 7 and beyond, we would be remiss if we did not acknowledge the continued difficulties and loss suffered nearly universally over these last two years. If an awardee is having difficulty delivering their project, please reach out to your project's HCD Loan Officer and the AHSC team will work with you to help chart a path toward success.

Lastly, there was a request for the program to revisit the definition of which areas qualify for the Rural Innovation Project Area (RIPA), as well as potentially expanding the distance from transit required of rural projects. Staff will continue to explore ways to provide more access to projects across the state.



June 7, 2022

Key Questions and Next Steps

All Electric Design: As stated in the Stakeholder Feedback section, making All Electric Design a threshold requirement and redistributing those points in the same section (G2 and G3) drew the most comments of any proposal in the document. While comments were supportive of the intention of the proposal, several letters advocated for a phased in approach, citing its complexity, cost, and labor intensity. It is staff's belief that the inclusion of this category last year, along with the broad discussion of All Electric Design as part of the 2022 update to the California Building Standards Code have provided ample opportunities for engagement on this topic and AHSC should remain ahead of the curve on topics such as these. Additionally, staff recognizes the topic is a priority for the Council, based on the discussion of the topic at the November 2021 SGC Council meeting. Given the concerns stated in the Public Comment Letters received and the Council's stated priorities staff would like to pose the following question:

Question: Does the SGC Council agree with the staff proposal to require that all AHSC projects incorporate all electric design (G3), or should the program look to phasing in the requirement for Round 8?

California Utility Allowance Calculator (CUAC): In conversations with our partners at the California Energy Commission (CEC), AHSC staff have discussed requiring that applicants to the AHSC program be required to complete a CUAC assessment and include a CUAC Submittal Report as an attachment to the application. This document would not be used for scoring purposes, and the AHSC program could provide funding for Technical Assistance to complete the CUAC assessment. However, there was significant opposition from the public on this project, due to availability of data at the time of application, and both upfront and ongoing costs. Further, some commenters stated this requirement could be in direct contradiction to HUD requirements. Recognizing these limitations, staff proposes evaluating the applicability of CUAC once the updated tool is released, meaning that the inclusion of the tool will be assessed for Round 8. For Round 7, though already allowed, staff proposes making the use of the CUAC tool explicitly allowed and encourage applicants to voluntarily submit it. By calling it out as voluntary in the guidelines, staff can better understand under what circumstances applicants are willing to use the tool. AHSC staff believes this is an acceptable compromise for all parties and seeks the approval of this decision from the Council.

Question: Does the SGC council agree with the proposal to delay the inclusion of CUAC until further evaluation is possible using the updated version of the tool and allow applicants to voluntarily submit it for Round 7?

Prohousing: Given the newness of the State's Prohousing program, there was significant concern that jurisdictions are unlikely to have received certification to allow projects to be eligible for this new category of points. While the legislation requires that the AHSC program provide points for a project in a jurisdiction that has been *designated* as Prohousing, HCD staff has requested that we award points for projects in jurisdictions that have *applied* to the Prohousing designation. AHSC staff believes this is an acceptable compromise for all parties and seeks the approval of this decision from the Council.

Question: Does the SGC Council agree with the proposal to award points for projects that have *applied* for Prohousing designation, instead of only those who have *received* the designation?