



October 1, 2020

# AHSC Draft Round 6 Guidelines: Summary of Changes

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## Summary

Affordable Housing and Sustainable Communities (AHSC) Program staff are proposing updates to the Draft AHSC Round 6 Guidelines to respond to stakeholder feedback, to address state priorities, and to ensure AHSC projects continue to advance sustainable development best practices across California's many communities.

Program staff solicited feedback from the public and consulted with state, local, nonprofit, and applicant groups over the past several months in order to update the Draft AHSC Round 6 Guidelines. During a two-week public comment period in July, over 30 groups submitted written comments on the AHSC guidelines. Program staff consulted with staff from multiple state departments and agencies in developing the proposed changes.

The following is a summary of proposed updates to the Draft AHSC Round 6 Guidelines, with more information to be found in the next section of this memo:

- **Section 103 – Eligible Costs** – The following eligible costs will be added in the following categories:
  - Affordable Housing Developments (HRI) and Housing Related Infrastructure (HRI) Installation of broadband trunk line or Wi-Fi infrastructure. Costs and fees associated with the ongoing provision of internet service will not be eligible.
  - STI: Transit related costs can now be tied to returns to service levels seen prior to COVID-19 rather than expansions beyond those levels.
  - PGM: Tenant legal counseling services will be eligible components.
- **Section 103 – Affordability Restrictions** – AHSC will only restrict affordability of units receiving AHSC funding, not those under other affordable covenants as defined by "Restricted Units."
- **Section 104 – Homeownership Per-Unit Assistance** – Homeownership projects may receive per-unit funding that matches assistance received by rental units. Funding will be determined according to the Department of Housing and Community Development's (HCD) Multifamily Housing Program. Homeownership funds will still be disbursed as HRI grants.
- **Section 106 – Urban Greening Requirements** – Expanding upon the already required urban greening thresholds, applications must now include at least \$200,000 in urban greening costs.



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GROWTH COUNCIL



October 1, 2020

- **Section 106 – Discretionary Local Land Use Approval Timing** – Applications now have 30 days following the application due date during which they can demonstrate that their discretionary local land use approvals have been granted. Approvals were previously required by the application due date.
- **Section 106 – Broadband Readiness Requirements** – Applications involving an affordable housing development must be designed in a manner that allows for broadband service.
- **Section 107 – Transit in GHG Scoring** – GHG reduction estimates resulting from AHSC transit projects will only be used for reporting purposes and not considered within GHG Reductions Scoring.
- **Section 107 – Point Re-Allocation from GHG Reductions Scoring to Quantitative Policy Scoring** – Ten points from GHG Reductions Scoring will be moved to Quantitative Policy Scoring for the purpose of evaluating proposed transit projects.
  - **GHG Scoring Reductions, 20 Points Total** – 10 points will be allocated to GHG Efficiency and 10 points to Total Estimated Reductions (without transit) scoring according to the competitive binning process consistent with previous rounds. This is down from 15 points allocated to each scoring category.
- **Section 107 – Quantitative Policy Scoring Adjustments** – The following Quantitative Policy Scoring categories had adjustments:
  - **Transit Project Improvements** – 10 points will be available for AHSC projects that propose transit improvements. This section is being added as transit projects will no longer be considered in GHG Reductions Scoring.
  - **Green Buildings** – For projects utilizing the LEED building rating systems to receive three points in this category, they must achieve Platinum status. LEED Gold was previously accepted.
  - **Electrification** – Two points will be available for all-electric housing developments. Consideration will be given in future rounds to make all-electric housing a requirement.
  - **Key Destinations** – Points for proximity of key destinations will now be allocated only if key destinations are within ½ mile of the affordable housing development rather than within the general project area. This change is intended to put additional emphasis on the location efficiency of the housing development rather than transportation improvements.
  - **Anti-Displacement Strategies** – One additional point will be available for resident anti-displacement strategies. The list of eligible strategies is reorganized with a few additions and subtractions. This reorganization and new required supporting documentation are intended to make anti-displacement strategies more meaningful and specific in their implementation. Staff may further modify



October 1, 2020

this section to require new strategies be implemented in order to receive certain points.

- **Prohousing Local Policies** – This scoring section will be removed until the full prohousing methodology, established by HCD, is developed in 2021.
- **Local Workforce Development and Hiring Practices** – One additional point will be available for this category and each strategy is now worth 1 ½ points each, rather than two. New supporting documentation will be required to make these strategies more meaningful and specific in their implementation.
- **Urban Greening** – This scoring section will be removed as it will be incorporated as a threshold requirement.
- **Section 108 – Pilot Geographic Targets** – Set a minimum target of one award in each of eight geographic areas across California. These geographic targets are a pilot active only for the Round 6 funding cycle.
- **Section 108 – Tribal Funding Target Qualification** – Defines that in order to be eligible for AHSC’s Tribal funding target, a “qualified Tribal entity” must be responsible for the AHD, HRI, STI, and/or TRA component of the application.
- **Section 108 – Minimum Score Requirements** – Require a minimum Total Score of at least 70 and GHG Reductions Score of at least 10 for any project to be considered for award. Tribal projects are exempt from these minimum score requirements.
- **Section 110 – Jobs Reporting Requirements** – This section now provides additional detail on jobs reporting requirements mandatory for all awarded applicants.
- **Section 110 – Project Outcomes Reporting Requirements** – This section now provides additional detail on project outcomes reporting requirements which SGC reserves the right to ask of from any awarded applicant.
- **Appendix A (Definitions) – Assisted Unit** – Defined as a low-income unit receiving AHSC funded.
- **Appendix A (Definitions) – Context Sensitive Bikeway** – Redefines this term based on recent guidance by Caltrans.
- **Appendix A (Definitions) – High Quality and Qualifying Transit** – Defines that the level of service required to fulfill these definitions may have occurred as early as January 2020, prior to possible service cuts resulting from the COVID-19 pandemic. As a result, service cuts will not result in ineligibility of projects.
- **Appendix A (Definitions) – Net Density** – Adjusts this definition to allow utility easements as deductible areas in net density calculations.
- **Appendix A (Definitions) – Qualified Tribal Entity** – This definition, along with clarifications made in Section 108 regarding the Tribal funding target, combine for the



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GROWTH COUNCIL



October 1, 2020

purpose of ensuring Tribal entities directly benefit from a substantial portion of AHSC funding.

- **Appendix A (Definitions) – Regulatory Agreement** – Defines this already used term as the contractual agreement reached with HCD to disburse funds.

## Additional Information Available

The AHSC Draft Round 6 Guidelines contain updates, in addition to those listed below, that clarify or strengthen criteria or language. Please see Draft AHSC Round 6 Guidelines for all proposed changes. If you would like a tracked changes version of the Draft AHSC Round 6 Guidelines, please email [AHSC@sgc.ca.gov](mailto:AHSC@sgc.ca.gov).

The best way to stay up-to-date on the AHSC Program is by registering for the [AHSC and SGC email lists](#).

SGC, HCD, and CARB will co-host public workshops to explain and receive feedback on the proposed changes to the Draft Guidelines and Benefits Calculator Tool. Due to the ongoing COVID-19 pandemic, the workshops will take place on Zoom webinars. To register, please follow the links below:

- October 1, 2020: 1:00 – 3:30 p.m. [Register Here](#)
- October 6, 2020: 10:00 a.m. – 12:30 p.m. [Register Here](#)
- October 8, 2020: 1:00 p.m. – 3:00 p.m. [Join Meeting Here](#)

The sections below provide additional context on changes for which staff heard the most feedback from stakeholders.

## Topics

### *Section 108 – Geographic Targets*

#### Overview

In Round 6, AHSC is running a pilot to establish a one award (regardless of funding request) minimum target across eight geographies of California. These targets serve as funding “floors” to ensure some level of guaranteed access to AHSC funding, regardless of region. The intention of this pilot is to demonstrate the value of transit-oriented infill development in all parts of the State. These targets are a one-year pilot and will be reconsidered as staff will work towards recategorization of project area types in future rounds to address access to funding based upon geography and transit quality. Use of a site’s Vehicle Miles Travelled (VMT) relative to its surroundings will likely be utilized to determine project area types in future rounds. In addition, staff will re-evaluate targets in light of future funding availability.

Staff propose eight geographies based upon HCD’s Regional Early Action Planning Grant allocations, with two adjustments:



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GROWTH COUNCIL



October 1, 2020

- Split Southern California into an Inland and Coastal geography. This split accounts for the large overall population of the Southern California geography and growth within Inland Southern California through California.
- Shift Ventura County from Southern California to the Central Coast geography. Ventura County urban centers and their approaches to AHSC more similarly mirror those of communities in the Central Coast geography.

This approach maintains an emphasis on awarding the top projects statewide while also providing certainty applications have an ability to compete for funding, regardless of their geography.

#### Awards Process

When making awards, AHSC will fulfill its project area type targets, Disadvantaged Community statutory minimum, Tribal funding target, and geographic targets. If needed, SGC intends to use discretionary funds to fulfill each of the targets after following the project area type allocation. If there are not sufficient discretionary funding to fulfill the other targets, project area type allocations may be adjusted in order to meet said targets. The order of operations in which awards will be made is outlined, below.<sup>1</sup>

1. Approximately 90% of funding (~\$315M) will be preliminarily allocated using the project area type targets. The top scoring awards within each category will be selected until the following targets are met, as long as they meet minimum score requirements:
  - a. 35% of funds to TOD projects
  - b. 45% of funds to ICP projects
  - c. 10% of funds to RIPA projects
2. If a Tribal project is not awarded through the project area type preliminary allocation, one will be selected using discretionary funds.
3. If at least one project from each of the geographies is not awarded through project area type or Tribal funding targets, they will be selected using discretionary funds. Priority will be given to projects that meet minimum score requirements, within each geography, as follows:
  - a. If AHSC has *not* met its statutory requirement to allocate at least 50% of funds within Disadvantaged Communities using the process identified in #1, the top scoring project within a Disadvantaged Community will receive priority.
  - b. If AHSC *has* met its statutory requirement to allocate at least 50% of funds within Disadvantaged Communities through the process identified in #1, the top scoring project will receive priority.
4. If discretionary funds are not sufficient to fulfill geographic and Disadvantaged Community targets, SGC reserves the right to adjust preliminary project area type allocations identified in #1, as follows:
  - a. If geographic targets still need fulfilment, the lowest scoring projects preliminarily selected through the process identified in #1 will be replaced with project(s) using the process identified in #3 until all geographic targets are fulfilled.

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<sup>1</sup> Projects are subject to minimum score thresholds, as detailed in the next section of this memo.



CALIFORNIA STRATEGIC GROWTH COUNCIL



October 1, 2020

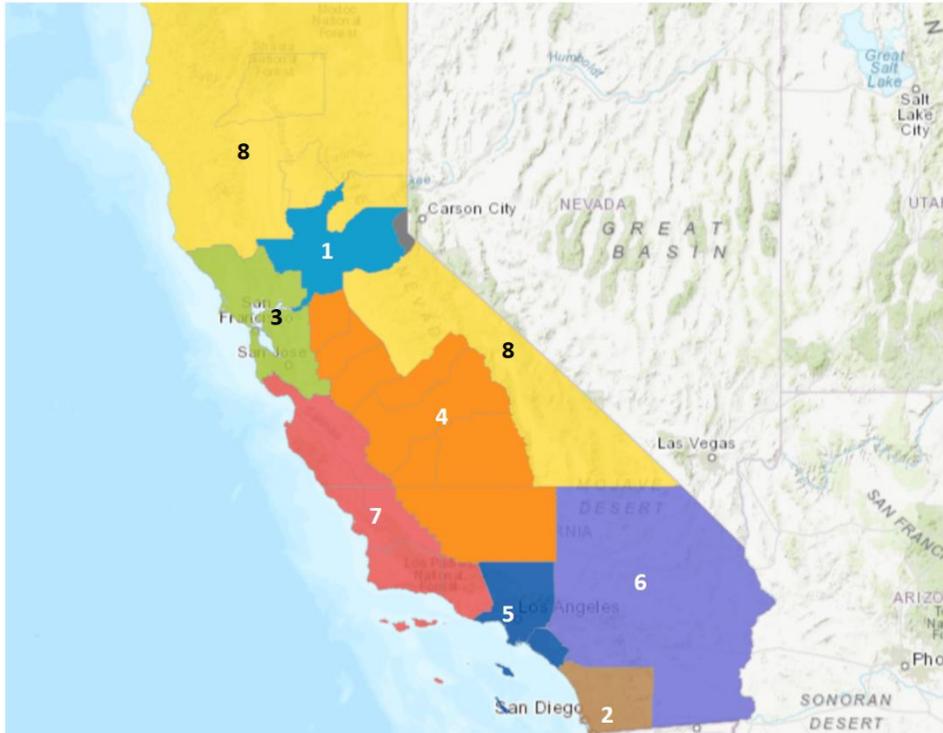
- b. If, after following all of the above steps, the recommended awards do not meet AHSC’s Disadvantaged Community requirement, the lowest scoring projects preliminarily selected through the process identified in #1 will be replaced with a geographic target using the process identified in #3 until at least 50% of awarded projects are located within Disadvantaged Communities. The Council reserves the right to override minimum score requirements to fulfill AHSC’s statutory Disadvantaged Community funding requirement.

Table 1: Proposal for Geographic Targets

Geographic Area	Map Number	Counties
Sacramento Area	1	Sacramento, Yolo, Sutter, Yuba, Placer, El Dorado
San Diego Area	2	San Diego
San Francisco Bay Area	3	Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma
San Joaquin Valley	4	Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare
Coastal Southern California	5	Los Angeles, Orange
Inland Southern California	6	Riverside, San Bernardino, Imperial
Central Coast	7	Ventura, Santa Barbara, San Luis Obispo, Monterey, San Benito, Santa Cruz
North State & Sierras	8	Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, Shasta, Sierra, Siskiyou, Tehama, Trinity, Tuolumne

October 1, 2020

Image 1: Map of AHSC Geographic Areas



### Section 108 – Minimum Score Requirements

Complimentary to geographic targets, Round 6 establishes a requirement that projects achieve a minimum Total Score of at least 70 and GHG Reductions Score of at least 10 in order to be considered for award. These minimum score requirements are established in order to maintain a high level of quality throughout AHSC’s awards, particularly given the Program’s multiple funding targets. Due to a desire to sustain AHSC’s momentum among Tribal communities and recognizing historic inequity in access to resources by these communities, these two minimum score thresholds will not apply to the AHSC Tribal funding target.

A threshold Total Score of 70 points is intended to maintain awarding projects that fulfill many of AHSC’s criteria, as was seen in recent rounds. When applied retroactively, only one project from the past three rounds of awards would have been eliminated by a 70 point threshold and of all projects to reach the final scoring phase, 70 percent achieved 70 points. The proposed threshold could prevent meeting geographic or project area type funding targets. Funds that may potentially be awarded through those targets would then be awarded to projects that received high AHSC scores by better fulfilling AHSC’s criteria.



CALIFORNIA STRATEGIC  
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October 1, 2020

The intent of setting a minimum GHG Reductions score is to ensure that AHSC, as a Cap-and-Trade program, continues to maintain an emphasis on reducing GHG emissions. Due to AHSC's GHG binning process, a minimum score of 10 GHG Reduction points is two points below the median score and will be achieved by about 70 percent of projects to reach the final phase of scoring. Similar to the Total Score Threshold, the GHG Reductions Score threshold of 10 points would only eliminate one award from the past three rounds, if applied retroactively. This Round 4 project received a GHG Reductions Score of 12, which translates to 8 points in the current draft guidelines.

### *Section 107 – GHG Scoring Reduction and Transit Scoring Criteria*

In Round 6, AHSC will not consider estimated GHG reductions associated with transit in the GHG scoring section. Instead, AHSC will score transit projects through alternative evaluation criteria in the Quantitative Policy Scoring section. As GHG Reductions Scoring is historically strongly correlated with estimated GHG reductions from transit, this change would move 10 points from GHG Reductions Scoring to evaluate transit projects in Quantitative Policy Scoring.

Inputs used in the AHSC Benefits Calculator Tool to generate GHG reduction estimates from transit face new levels of uncertainty due to COVID-19. Transit providers are experiencing major funding shortfalls and service levels are in flux. Most transit providers are unable to commit to new service for extended periods of time and face uncertainty regarding ridership estimates, two primary factors in generating GHG reduction estimates. Additionally, many immediate needs of transit service providers include continuing service to those most dependent on public transit and maintaining a safe riding environment, both of which may not align with the GHG Reductions Scoring structure.

The ten points re-allocated to Transit Improvements in the Quantitative Policy Scoring section are designed to be achievable by the State's diverse transit providers. While most transit projects may not fulfill all points, the intent is to present a menu of options to fulfill four short- and long-term transit objectives: Expanded service and passenger information systems; Expanding multimodal connections; Serving vulnerable communities; and Utilization of renewable energy sources. These goals and criteria within are based upon State priorities to support long-term GHG and VMT reductions and supporting increased transit ridership.

By removing estimated GHG reductions from transit projects in the GHG scoring section, GHG Reductions Scoring will now be scored based on inputs in the *Affordable Housing*, *Active Transportation*, and *Solar PV* tabs. While there is never a single input that will determine how well a project will score in the GHG Reductions Scoring section, projects that maximize their density, amount of restricted units, transit pass value, and other inputs to maximize the reductions capable under the *Affordable Housing* tab in accordance with the [AHSC Quantification Methodology](#) will likely score the best in GHG Reductions Scoring. A project with



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GROWTH COUNCIL



October 1, 2020

a higher unit count is capable of achieving greater reduction estimates than the same project with a lower unit count. However, reductions from onsite solar PV are significant, particularly in the RIPA category.

GHG reduction scoring is decreased from 30 to 20 points and the difference between competitive bins is now two points, down from three. The difference between the maximum and minimum GHG reduction score will change from 24 to 16 points while the median will now be 12 instead of 18.



CALIFORNIA STRATEGIC GROWTH COUNCIL



October 1, 2020

## Round 6 Timeline

The release of the Draft Round 6 AHSC Guidelines marked the beginning of a 30-day public comment period. The schedule for the remainder of Round 6 is as follows:

<b>AHSC Round 6 – Tentative Schedule</b>	
<b>Release of Draft Round 6 AHSC Guidelines</b>	September 16
<b>30-Day Public Comment Period</b>	September 16 – October 16
<b>Release of Draft Quantification Methodology</b>	September 16
<b>2-Week Public Comment Period</b>	September 16 – 30
<b><a href="#">Draft Guidelines Webinars</a>*</b>	October 1 and 6
<b>Final Draft Round 6 Guidelines Posted</b>	November 6
<b>Final Guidelines Adoption and NOFA Release</b>	November 17
<b>Application Due Date</b>	Late-February 2021
<b>Round 6 Awards Adopted by Council</b>	Late-June 2021

Table 1: AHSC Round 6 Schedule

*\*The Draft Guidelines webinar will be recorded and made available for viewing.*