

December 15, 2022

Subject: Affordable Housing and Sustainable Communities (AHSC) Program
Round 7 Guidelines Adoption

Reporting Period: January 2022 – December 2022

Staff Lead: Marc Caswell, AHSC Program Manager, SGC

Recommended Action

Adopt Final Draft Round 7 Guidelines for the Affordable Housing and Sustainable Communities (AHSC) Program as drafted by staff. Following the adoption of the Guidelines, staff will release the Notice of Funding Availability (NOFA) for approximately \$750 million in funding for Round 7 of the AHSC Program.

Summary

Staff submits the Final Draft Guidelines for Round 7 Guidelines for the Affordable Housing and Sustainable Communities (AHSC) Program for adoption from the Council. The final AHSC Round 7 Guidelines, along with a Summary of Key Changes, is included in this Staff Report.

The Guidelines incorporate significant outreach to stakeholders including more than a dozen Listening Sessions, four Public Workshops across the state, and more than 40 Comment Letters during the Public Comment period for the Draft Guidelines. In total, more than 250 people attended an event related to the creation of these guidelines and the AHSC Program team wants to thank everyone for their engagement and feedback on this document.

Background

About the AHSC Program

Public Resource Code Sec. 75210 establishes the Affordable Housing and Sustainable Communities (AHSC) Program "to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development..." The AHSC Program is part of California Climate Investments (CCI), an initiative that puts State Cap-and-Trade dollars to work; CCI sets aside 50 percent of the available funds for projects benefitting Disadvantaged Communities (DACs). CCI and AHSC play a critical role in the State's overall efforts to reduce greenhouse gas (GHG) emissions, strengthen the economy, and improve public health and the environment in communities across the state.

One of the implementing legislation's primary goals is to support and implement sustainable community strategies and efficient land use policies statewide. To this end, the AHSC Program provides grants and loans for capital projects and programming, including affordable housing and transportation improvements that encourage walking, bicycling, and transit use resulting in fewer passenger vehicle

miles travelled (VMT). Reduction of VMT in these project areas will achieve GHG emissions reductions and benefit Disadvantaged Communities.

The Budget Act of 2014 appropriated \$130 million from the Greenhouse Gas Reduction Fund (GGRF) to develop and implement the first funding cycle of the AHSC Program (2014-2015). Since FY 2015-16, Health and Safety Code Section 39719 has allocated 20 percent of GGRF annual proceeds to the AHSC Program. To date, the AHSC Program has awarded over \$2.4 billion in grant funds to 164 projects in communities across the state. Approximately \$750 million in funding will be available in the Round 7 AHSC Program funding cycle.

Background on the Guidelines Process

Staff presents these Round 7 Guidelines as the culmination of significant outreach throughout 2022. AHSC staff from the Strategic Growth Council (SGC) worked closely with partners from the California Air Resources Board (CARB) and Department of Housing and Community Development (HCD) and other departments to identify opportunities to update the Guidelines to streamline the application process, clarify policies, and reward innovative projects that help build equitable, healthy housing and communities. The Guidelines were crafted to help support Statewide goals and Council priorities including housing decarbonization, sustainable transportation, and equitable community investment.

These Guidelines build upon 6 successful rounds of AHSC and staff has taken significant effort to respond to the comments posed by stakeholders while also working to ensure the program meets the State and Council's ambitious goals.

Some of the most significant changes to the Guidelines for Round 7 include:

- Projects may now request up to \$50 million per project. This includes \$35 million for Housing and \$15 million for Transportation components.
- Expanded access for Tribal Entities, including allowing non-federally recognized Tribes to apply as applicants. Tribes may request waivers as allowed under AB1010.
- Projects improving existing local bus service will be eligible for additional points.
- Expanded access for Affordable Homeownership projects.
- Simplified Narrative component, with additional emphasis on Climate Adaptation and Health.

HCD will release the Round 7 Application and NOFA (expected to be \$750 million) in January 2023 for a 90-day application window. Awards are expected to be presented to Council for adoption in August 2023, with staff seeking to inform applicants of their award status in time to plan for the Spring deadlines of the California Tax Credit Allocation Committee.

Next Steps

Adopt Final Draft Round 7 Guidelines for the Affordable Housing and Sustainable Communities (AHSC) Program as drafted by staff. Following the adoption of the Guidelines, staff will release the Notice of Funding Availability (NOFA) for approximately \$750 million in funding for Round 7 of the AHSC Program.

Council Recommendation

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

Adopt Final Draft Round 7 Guidelines for the Affordable Housing and Sustainable Communities (AHSC) Program as drafted by staff.

Attachments

Attachment A: Final Round 7 Guidelines for the Affordable Housing and Sustainable Communities (AHSC)

Attachment B: Summary of Key Changes for Final Round 7 Guidelines for the Affordable Housing and Sustainable Communities (AHSC)