

Date of Hearing: April 20, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 1968 (Steinorth) – As Amended March 17, 2016

SUBJECT: Greenhouse gases: Affordable Housing and Sustainable Communities Program

SUMMARY: Sets aside 10% of funds within the Affordable Housing Sustainable Communities (AHSC) program for medium-density developments. Specifically, **this bill:**

- 1) Makes legislative findings.
- 2) Defines "medium-density residential development" to mean a development of attached housing that includes a duet, duplex, triplex, fourplex, or a townhouse or condominium of between three and five stories with an allowable density range of between eight and fifteen units per gross developable acre.
- 3) Requires 10% of moneys appropriated to the AHSC program each year to be allocated each fiscal year to local governments that adopt an ordinance promoting medium-density residential developments to support projects that meet all of the following requirements:
 - a) Demonstrates that it will achieve a reduction in greenhouse gas emissions;
 - b) Support implementation of an adopted or draft sustainable communities strategy (SCS) or, if a SCS is not required for a region by law a regional plan that includes policies and programs to reduce greenhouse gas emissions; and
 - c) Demonstrate consistency with the state planning priorities established to achieve the state's environmental goals.
- 4) Requires at least 20% of the total amount allocated to local governments must be used for housing projects that are affordable to lower income households.

EXISTING LAW:

- 1) Establishes the SGC made up of the California Business Consumer Services and Housing Agency (BCSH), California Health and Human Services (CHHS), California Environmental Protection Agency (CalEPA), California State Transportation Agency (CalSTA), the California Department of Food and Agriculture (CDFA) and the California Natural Resources Agency (CNRA); the director of the Governor's Office of Planning and Research (OPR).
- 2) Directs the SGC to develop guidelines and selection criteria for the implementation of AHCS to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development and that support related and coordinated public policy objectives including the following:
 - a) Reducing air pollution;

- b) Improving conditions in disadvantaged communities;
 - c) Supporting or improving public health or other co-benefits;
 - d) Improving connectivity and accessibility to jobs, housing, and services;
 - e) Increasing options for mobility, including the Active Transportation Program;
 - f) Increase transit ridership;
 - g) Preserve and develop affordable housing for lower income people; and
 - h) Protect agricultural lands to support infill development.
- 3) Requires a project to demonstrate the following to be eligible for funding from the AHSC program:
- a) Demonstrate that it will achieve a reduction in greenhouse gas emissions;
 - b) Support implementation of an adopted or draft SCS, or if a SCS is not required for the region a regional plan that includes policies and programs that reduce greenhouse gas emissions.
 - c) Demonstrate consistency with the state planning priorities established to achieve the state's environmental goals.
- 4) Requires that at least 50% of the funding for AHSC benefit projects in disadvantaged communities.
- 5) Requires SGC when revising its guidelines to develop the guidelines and selection criteria, conduct at least two public workshops (one in northern California and one in southern California) to receive and consider public comments, and publish the draft guidelines on its Internet Web site at least 30 days prior to the public meetings.
- 6) Requires SGC to consider comments from local governments, regional agencies, and other stakeholders in adopting guidelines and selection criteria.
- 7) Requires the SGC to conduct outreach to disadvantaged communities to encourage comments on the draft guidelines from those communities.
- 8) Defines "disadvantaged communities" to mean communities identified by the CalEPA based on geographic, socioeconomic, public health, and environmental hazard criteria, and may include, but are not limited to, either of the following:
- a) Areas disproportionately affected by environmental pollution and other hazards that can lead to negative public health effects, exposure, or environmental degradation; and
 - b) Areas with concentrations of people that are of low income, high unemployment, low levels of homeownership, high rent burden, sensitive populations, or low levels of educational attainment.

FISCAL EFFECT: Unknown.

COMMENTS:

In 2014, Legislature created the AHSC program funded through cap-and-trade proceeds. SB 862 (Senate Budget and Fiscal Review Committee) Chaptered 862, Statutes of 2014 continuously appropriated 35% of the cap-and-trade funds for investments in transit, affordable housing, and sustainable communities. Of this, 10% is for transit and inter-city rail capital programs administered by the Department of Transportation (Caltrans) and the California Transportation Commission (CTC); 5% is for low carbon transit operations through the State Transit Assistance formula; and 20% is for affordable housing and sustainable communities, with half of this funding going to affordable housing projects that demonstrate a reduction in greenhouse gases.

The AHSC program has approximately \$300 million available in funding and is administered by the SGC and HCD. HCD is responsible for implementing the transportation, housing, and infrastructure components of the AHSC program. According to the AHSC guidelines, "The AHSC program is designed to implement the GHG emissions reductions through fewer shorter vehicle trips. The AHSC program will fund integrated land use and transportation projects supporting low-carbon transportation options. Promoting mode shift to low-carbon transportation will require strategies that link residential areas, major employment centers and other key destinations to accessible reliable, affordable safe, comfortable transit, and active transportation options."

Purpose of this bill: According to the author, "In some parts of California, it is not as economically feasible (or perhaps even permissible) to build high-density, high rise developments envisioned by the AHSC. For those areas, "medium-density" development may be a more realistic option, especially where there is a strong need for increased housing supply. Such development is unfortunately not as easy to build, due to tougher building code standards and engineering challenges. As a result, suburban and less-affluent parts of the state are at a disadvantage when trying to qualify for the AHSC. This in turn hinders compact development efforts in these regions and creates a disparity with the areas that can afford higher density projects. A 2014 federal report on infill development determined that one of the biggest challenges to creating infill development were construction costs in buildings that utilized steel or reinforced concrete, typically those that are four or more stories. The report also references a 2007 Brookings Institution paper which also found that the cost to construct wood-framed buildings over two stories ballooned and that mid-rise reinforced concrete buildings were even more expensive. Other studies show a similar concept: increased building heights (and density) often lead to increase per-unit construction costs and rental prices. AB 1968 would help developers, who may be financially prohibited from such development, defray some of their costs and be able to provide more infill development to communities that may not be as suited for larger-scale projects. In particular, in areas that may not have a strong enough demand or capital resources to sustain a high-rise building, this bill would help support developments for a more affordable, mid-range market."

Staff comments:

This bill would award 10% of AHSC funding to local governments that adopt an ordinance that promotes medium-density residential developments which would include developments that are between three and five stories with a density range of between eight and fifteen units per

developable acre. Local governments would only be required to use 20% of the funds awarded to it for affordable housing. The intent of programs funded by cap-and-trade proceeds is to reduce greenhouse gas emissions to achieve goals set in AB 32 (Nunez), Chapter 488, Statutes of 2006. In order to meet this standard affordable housing project must combine both density and accessibility to public transportation in order to result in vehicle miles travelled which will reduce our overall GHG production. The effect of this bill is to reduce the density required for projects and potentially undermine the goal of the program. In addition, AHSC is limited to funding housing that is affordable to lower income households. This bill proposes to allow local governments to use 80% of the funds awarded to it for housing at any income and is not limited to affordable housing.

Climate change is a dynamic and evolving situation that the state needs to be able to respond to through policy and funding mechanisms in an efficient and thoughtful manner. Locking program guidelines into statute may undermine that process and the fundamental purpose of the AHSC program, to reduce our GHG emissions and slow climate change. The committee may wish to consider if making changes to the guidelines through this bill will invite other stakeholders who are dissatisfied with the guidelines process to pursue changes through the legislative process.

REGISTERED SUPPORT / OPPOSITION:**Support**

County of San Bernardino

Opposition

None on File

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