

Date of Hearing: April 20, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 2783 (Eduardo Garcia) – As Amended March 28, 2016

SUBJECT: Affordable Housing and Sustainable Communities Program

SUMMARY: Requires the Strategic Growth Council (SGC) to revise their adopted guidelines and selection criteria for affordable housing project that qualify under the Affordable Housing and Sustainable Communities Program (AHSC) for the Rural Innovation Project Area (RIPA). Specifically, **this bill:**

- 1) Requires the SGC to revise their adopted guidelines and selection criteria for affordable housing project that qualify under the AHSC for the RIPA as follows:
 - a) Projects shall be allowed to build at nonmetropolitan density requirements based on net density.
 - b) Defines "net density" to mean the total number of dwelling units per acre of land to be developed for resident or missed use excluding permanent streets, required drainage facilities, sidewalks, parks, public rights of way, easements, encroachments, and dedicated open space.
 - c) For projects that receive 4% low-income housing tax credits, one hundred thousand dollars \$100,000 per restricted unit shall be added to the base amount for loan limit calculations purposes.
 - d) Scoring must be awarded based on the extent to which an application demonstrates walkable corridors and incorporates features that encourage bicycling which will exist upon completion of the project.

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 the 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 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 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. The AHSC provides grants and/or loans to projects that will achieve GHG reductions and benefit disadvantaged communities through increasing accessibility of affordable housing, employment centers, and key destinations via low-carbon transportation resulting in fewer vehicle miles travelled (VMT) through shortened or reduced vehicle trip length or mode shift transit, bicycling, or walking. Funding applicants track metrics in accordance with the Air Resources Board's Funding Guidelines.

In the first round of funding, two projects in rural areas were funded from the affordable housing set-aside. The SGC convened four stakeholder meetings over the Fall of 2016 to receive public comment and consider changes to the program. Recognizing that rural projects were not able to compete well against urban projects, the SGC changed their guidelines to set-aside 10% of the total funding for AHSC for rural areas. As a result, applicants in rural areas compete against other rural projects rather than against urban projects that can generally show a greater reduction in VMT.

In January, the SGC released a NOFA for the AHSC program which included the new RIPA set aside and guidelines. In response they received a total of 130 applications in all categories, 23 of the applications are for RIPA. HCD is in the process of determining which applicants will be asked to move to the next phase of the process and submit full applications.

The intent of programs funded by cap-and-trade proceeds is to reduce greenhouse gas emissions to achieve goals set in AB 32. In order to meet this standard affordable housing project must combine both density and proximity to public transportation in order to result in fewer vehicle miles travelled which will reduce our overall greenhouse gas production. The effect of this bill is to reduce the density required for RIPA projects below what is required in the AHCS guidelines and potentially undermine the goal of the program.

Arguments in support: According to the, The California Coalition of Rural Housing, "AB 2783, a measure that will help eliminate barriers to rural communities to access the AHSC program to

build safe affordable housing. Rural communities throughout the state have been systematically overlooked and as a result have not received investments from the AHSC program which will help these communities increase their access to affordable housing while also achieving greenhouse gas reductions. In 2015, there were no rural affordable housing projects that received funding from the AHSC. Out of the 36 projects that did received funding, two projects were in rural communities but those did not result in the building of much needed affordable housing in rural areas of the state. Despite the RIPA being established by the SGC to address inequitable distribution of fund, there are still threshold barriers that hinder rural communities in the state having access to the investments needed to help combat climate change while also achieving other co-benefits, such as maximize overall economic, public health and environmental benefits, improve air quality, and lessen effects of climate change in California."

Arguments in opposition: According to the Metropolitan Transportation Commission, "in response to concerns that the AHSC program did not provide sufficient funding to rural areas in its first two rounds, the AHSC guidelines for 2015-16 include a target of 10% for RIPA proposals, though the target is not binding in the event there aren't sufficient qualifying applications. MTC does not oppose the RIPA target, but we do oppose lowering what is already a relatively low density requirement (20 units/acre, suburban standard) to the non-metropolitan area standard of 15 units/acre. As an illustration the city of Calistoga has submitted for AHSC funding an affordable housing development project for seniors with an estimated density of 35 units/acre. The minimum density requirements for the AHSC guidelines were developed with extensive public input. Given the purpose of the AHSC program is to reduce GHG emission by boosting the availability of affordable housing in near transit, lowering the density requirements undermines that goal."

Policy concerns:

In the Fall of last year, the SGC revised the guidelines for the AHSC program to provide greater access for rural areas of the state by eliminating competition between rural and urban projects and allowing rural projects to compete against each other. The committee may wish to consider allowing this process to play out before pursuing changes to the program.

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

Burbank Housing Development Corporation
California Coalition for Rural Housing
Coachella Valley Housing Coalition
Comité Civico del Valle
La Union Hace La Fuerza

Peoples' Self Help Housing Corporation
Pueblo Unido CDC
Redwood Valley Little River Band of Pomo Indians

Opposition

Metropolitan Transportation Commission

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