

STAFF REPORT: ADMINISTRATION OF THE AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES (AHSC) PROGRAM

BACKGROUND

The [Budget Act of 2014](#) appropriates \$130 million from the Greenhouse Gas Reduction Fund (GGRF) for the FY 2014-15 budget to the Strategic Growth Council (Council) to develop and administer the Affordable Housing and Sustainable Communities (AHSC) Program. Accompanying legislation, [SB 862](#), apportions 20 percent of the GGRF's proceeds on an annual basis to the AHSC program beginning in FY 2015-16.

The AHSC Program furthers the regulatory purposes of [AB 32](#) and [SB 375](#) by investing in projects that reduce greenhouse gas emissions by creating more compact, infill development patterns, encouraging active transportation and mass transit usage, and protecting agricultural land from sprawl development. These projects, described in the [AB 32 Scoping Plan](#), will support ongoing climate objectives and contribute substantial co-benefits by:

- Reducing vehicles miles traveled and associated greenhouse gas and other emissions by improving mobility options and increasing infill development; or
- Preventing conversion of agricultural lands by making strategic investments that protect agricultural lands to reduce greenhouse gases emissions.

Applicable law requires that 50 percent of AHSC funds be utilized to provide housing opportunities for lower income households. The law also requires 50 percent of funds must benefit disadvantaged communities.

The Council is charged with leveraging the programmatic and administrative expertise of relevant state departments and agencies in implementing the program. The Council is also charged with coordinating with the metropolitan planning organizations and other regional agencies to identify and recommend projects within their respective jurisdictions that best reflect the program's goals and objectives. These projects must be consistent with regional Sustainable Communities Strategies, or where not applicable, other regional greenhouse gas emission reduction plans.

In addition to creating the AHSC Program, [SB 862](#) increased the Council membership by two members. One member will be appointed by the Speaker of the Assembly and one member will be appointed by the Senate Committee on Rules. Each will serve at the pleasure of their appointing authority.

OVERVIEW

The Affordable Housing and Sustainable Communities Program contains a variety of land use and transportation-oriented strategies to reduce greenhouse gas emissions. These include, but are not limited to: intermodal affordable housing projects that support infill and compact development; transit

capital projects; complete streets and active transportation projects; and tools to preserve agricultural land under pressure from being converted to non-agricultural uses.

Pursuant to SB 862, the Council is required to develop and administer the AHSC Program and to leverage the programmatic and administrative expertise of relevant state agencies and departments in implementing the program. The Council is responsible for the overall administration of the AHSC Program and will retain the central authority for the governance of this program. The Council and its members acting together have joint responsibility for the development of program design, program guidelines, selection criteria, and selection of projects and other administrative duties as defined by the Council. The Council will use the breadth of expertise in its multi-agency and member constituency to collaboratively discharge these responsibilities.

It is recommended that the specific implementation of the AHSC Program rely on the programmatic and administrative expertise of relevant state agencies and departments as recommended in statute. It is recommended that the AHSC Program be funded and Implemented through two parallel components – 1) a majority component focused on compact, infill and transit-oriented development and associated infrastructure, described herein simply as the AHSC Program; and 2) a complementary agricultural component that will focus on the protection of agricultural lands from sprawl development, referenced below as the Sustainable Communities Agricultural Land Preservation Program (SCALPP).

In order to successfully implement each program component, staff recommends the Department of Housing and Community Development within the Business, Consumer Services, and Housing Agency implement the housing, transportation and infrastructure development components of the AHSC Program. Staff further recommends that the SCALP Program be implemented separately by the California Natural Resources Agency or the California Department of Conservation. Each program component is described further below.

THE AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM

The AHSC Program will provide grants and affordable housing loans for infill and compact transit-oriented development and infrastructure. Projects funded by the AHSC Program will demonstrate how they support reduction of greenhouse gas emissions by increasing accessibility of housing, employment centers and key destinations via low-carbon transportation options (walking, biking and transit), resulting in fewer vehicle miles traveled. A minimum of 50 percent of available funds will be invested in projects benefitting disadvantaged communities, and a minimum of 50 percent of program funds will be utilized to provide housing opportunities for lower income households.

The complexity of multi-component projects involving housing, transportation, infrastructure, transit ridership and other elements will require special technical knowledge of contracting negotiation, management and administration, underwriting, and monitoring. The Department of Housing and Community Development, in cooperation with the California State Transportation Agency, has successfully supported a TOD-Housing program with many administrative requirements similar to those

required for support of the statutory guidelines and emerging other criteria for the Affordable Housing and Sustainable Communities Program. The Department of Housing and Community Development (HCD) has effectively managed \$300 million from Prop 1C bond funds for the TOD Housing Program over the past 7 years, coordinated with the Infill Infrastructure Grant Program and other local funds, and incorporating provisions supporting implementation of regional and local plans. This positions the department well to work as the administrative center for most elements of the Affordable Housing and Sustainable Communities Program.

SUSTAINABLE COMMUNITIES AGRICULTURAL LAND PROTECTION PROGRAM

Senate Bill 862 designates the Strategic Growth Council with coordinating the implementation of the Affordable Housing and Sustainable Communities Program. A component of the program is the protection of agricultural lands to support infill development. In Section 75212, projects eligible for funding include, “acquisition of easements or other approaches or tools that protect agricultural lands that are under pressure of being converted to nonagricultural uses, particularly those adjacent to areas most at risk of urban or suburban sprawl or those of special environmental significance.”

Protecting agricultural lands at risk of conversion to non-agricultural uses reduces GHG emissions, and may result in enhanced carbon sequestration depending on the crop and management of the protected lands. Investments under this program can also further climate adaptation strategies, not only by considering where critical agricultural lands currently exist, but also by understanding more fully where to plan for and protect agricultural lands as the population grows and climate changes.

As its being developed, it will remain a goal of the larger Affordable Housing and Sustainable Communities Program to protect agricultural lands as a way to support and encourage infill development. However, staff recognizes that the types of strategies that are used to protect agricultural lands are unique to land conservation practice, leaving some eligible projects difficult to administer if they had to be included as part of a larger development project. By administering the agricultural lands component through a separate process, informed by its own set of guidelines, it will allow for a more effective implementation without losing the connection to the broader goals of the program.

RECOMMENDED ACTION

Staff Recommendation: The Department of Housing and Community Development within the Business, Consumer Services, and Housing Agency implement the housing, transportation and infrastructure components of this program and that the Sustainable Communities Agricultural Land Preservation Program component be implemented separately by the California Natural Resources Agency or the California Department of Conservation. This implementation will include, but not limited to, working with the Council to develop program guidelines including grants and loans, evaluating applications, preparing agreements, monitoring agreement implementation, reporting and amendments.