



Board Report

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AD HOC SUSTAINABILITY COMMITTEE OCTOBER 14, 2015

SUBJECT: AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report on the **Affordable Housing and Sustainable Communities Cap-and-Trade Program**.

ISSUE

The State of California established the Affordable Housing and Sustainable Communities (AHSC) program as part of the larger cap-and-trade effort. This program funds affordable housing in transit served areas together with transportation improvements focused on active modes. The Ad Hoc Sustainability Committee has on-going interest in the program and has received several prior reports. This report responds to direction from Director Solis at the July 2015 meeting to develop an overall strategy to guide Metro's participation in the program.

DISCUSSION

Need for Strategy

Metro has prioritized the need to fund active transportation, complete streets, first/last mile and affordable housing. These activities are reinforced through various policies including the Joint Development Policy, Countywide Sustainability Planning Policy, First/Last Mile Strategic Plan, and Complete Streets Policy, that form the connective tissue that facilitates the success of larger investments in transportation infrastructure.

The State has also recognized the importance of these investments, establishing the AHSC program, administered by the Strategic Growth Council, as the funding source for active transportation within the larger cap-and-trade portfolio. Taken a step further, the State has positioned AHSC as a multi-component, multi-benefit program that seeks to combine and layer investment in affordable housing with active transportation and other transportation infrastructure. The program has the potential to build from on-going efforts of many communities in Los Angeles County which have sought to embed value from active transportation and mobility choice into affordable housing. These local policies can take the form of requiring on-site bike parking and reducing auto parking requirements, among other methods.

The concept embedded in the program is to provide comprehensive improvements to neighborhoods around transit. That said, complications within the program guidelines during the first year hampered the overall effectiveness of the program. Issues included difficulty balancing among various priorities, notably emphasizing project readiness in a way that disadvantaged transportation components. Further, the Southern California region did not receive a proportional share of funding (noting that Los Angeles did substantially better than the rest of the region), while the Bay Area outperformed its population share. Currently the SGC is developing a set of revised program guidelines based on experiences over the first year.

At the same time, stakeholders in Los Angeles County have worked to establish a collaborative process that is intended to deliver the State's intended outcome: multi-component, partnership projects that can compete effectively for this funding. Metro is a key player in this larger collaboration, due to our body of established policy and articulated priorities around first/last mile and active transportation, as well as newly formed policy on affordable housing development. The creation of a strategy by Metro will help coalesce activity in the region around high priority, high benefit projects and improve the region's competitive standing with the State. In developing this strategy, Metro has worked with LA Thrives (a collaborative of foundations, community development lenders, local governments, and advocates) along with other stakeholders such as SCAG and sub-regional COGs.

Components

Working with a variety of Los Angeles County stakeholders including cities, affordable housing providers and funders, foundations, and active transportation advocates, Metro staff has crafted a strategy that is tailored to current conditions in the County both for affordable housing and transportation. The strategy that has emerged from these discussions will consist of the following:

1. Study housing market conditions in transit areas in order to promote most effective projects

With recently adopted new policies around affordable housing, Metro has recognized the importance of housing near transit in order to protect and grow our ridership base. A goal of maximizing housing around stations necessitates comprehensively examining housing market conditions and identifying opportunities to preserve and enhance housing supply. In doing so preliminarily, Metro and its partners have identified different types of opportunities for large-scale development (typically closest to stations), and preservation and rehabilitation for smaller apartments typically on adjacent blocks. Various on-going and newly initiated planning efforts offer opportunities to study and document housing opportunities around transit. These include the TOD Toolkit being prepared by Metro as a component of a SGC-funded regional climate action and sustainability plan in collaboration with the Los Angeles Regional Collaborative for Climate Action and Sustainability (LARC), as well as upcoming work on Transit Oriented Communities.

2. Promote multi-component projects with high value transportation improvements

The AHSC program calls for projects that combine housing and transportation components within a given area served by high quality transit. Metro's interest in these applications is in inclusion of transportation components that further our strategic goals, including first/last mile

improvements, complete streets, and other active transportation infrastructure that improves overall mobility and access to the transit network. Metro will continue to advocate for improved AHSC program guidelines and evaluation criteria to better accommodate these projects. Further, Metro's planning efforts, in concert with cities and county, will focus on developing a portfolio of ready projects that can be packaged with housing and compete for funding.

3. Leverage Metro's new affordable housing and joint development policies

The Metro Board has recently passed policies that create a portfolio-wide goal for affordability in the Joint Development program, prompt investment in an affordable housing revolving loan fund, direct a residential TAP program, and allow for land values in Joint Development projects to be discounted both for enhanced affordability as well as to promote other objectives such as first/last mile improvements. As part of a strategy for AHSC, Metro can apply these new resources and tools flexibly to maximize competitiveness of projects seeking AHSC funding. For example, land discounting can be counted as leverage, improving the GHG reduction scoring and cost effectiveness scoring for a competing project. Further provision of a program for transit passes to low-income residents provides significant competitive advantage for AHSC candidate projects.

4. Work with local agencies and housing sector

Many jurisdictions in the County have policies and resources that promote the development of affordable housing and other goals of the AHSC program. As noted above these policies in some cases reinforce the goals of the program by providing mobility options to residents. Metro will seek working agreements with cities to align approaches and resources to best compete for AHSC funding. This could, for example, take the form of Metro participation in city-led project review processes. Metro will further work with SCAG, subregional COGs and the housing sector, to address capacity building and technical assistance needs.

5. Prioritize and support high value projects

As a function of collaborative efforts described above, Metro will work to position high value projects (those providing meaningful improvements in accordance with Metro's policies) in the best possible competitive standing. This may include working with stakeholders to shape applications and maximize scoring. As in the 2015 process, Metro will vet and review project applications, and provide letters of support to projects best meeting our priorities.

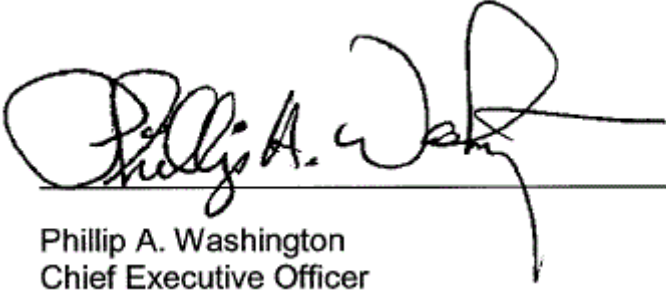
NEXT STEPS

The State is anticipated to release revised program guidelines in mid-September (prior to this meeting of the Ad Hoc Sustainability Committee, but subsequent to the preparation of this report). This report is intended to seek initial feedback on a strategy from the committee. Staff anticipates returning to the committee at its next meeting with a detailed strategy informed by the revised program guidelines. At that time the committee may consider action to adopt a formal strategy.

Pending further direction from the Committee and Metro Board, staff will continue dialogue with the Strategic Growth Council and with partners and stakeholders in the region.

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