



Land Use & Natural Resources Committee

Item #17-4-5
Information

March 30, 2017

Upcoming Cap-and-Trade Funding Round

Issue: Update on upcoming Cap-and-Trade Funding Rounds for communities.

Recommendation: None. For information only.

Discussion: This staff report provides background on three Cap-and-Trade programs: the Affordable Housing and Sustainable Communities program (AHSC), Sustainable Agricultural Lands Conservation Program (SALC), and Urban Greening Grant Program. SACOG has set up a Cap-and Trade website for convenient reference, as well as information that pertains to available data, resources, and technical assistance as appropriate. Please visit <http://www.sacog.org/cap-and-trade>. Over the coming months, staff will be providing updates on each program as additional information becomes available related to final guideline issuance, relevant workshops, MPO role definition, and defined points of MPO input. Staff will also work directly with agency staff.

AHSC Program- Cycle 3

The AHSC funding program is administered by the Strategic Growth Council (SGC) and implemented by the Department of Housing and Community Development. AHSC targets affordable housing projects with strong complimentary transportation components that facilitate the reduction of GHG emissions by improving mobility options, increasing infill development, and protecting agricultural land from sprawl development. In prior cycles, the amount of funding available has ranged from \$120-\$189 million. The program guidelines are currently available in draft form for public comment, as are revised program GHG quantification methodologies. Staff is currently reviewing the draft guidelines to determine how the SACOG region is impacted by the changes; see Attachment A for a complete list of proposed changes. SGC will hold a Draft Guideline Workshop in Sacramento on April 6th and accept public comments through April 14th. The Notice of Funding Availability is anticipated to be release on June 1st.

In prior cycles, SACOG has taken an active role in providing technical assistance on application development; this role will carry on into current cycle efforts. In Cycle 2, the program guidelines defined MPO involvement in two phases. First, MPOs were involved in the Concept Application phase, evaluating how projects support the implementation of the MTP/SCS. Second, MPOs created a regional method for identifying and recommending any projects invited by SGC to submit a Full Application. Currently, the draft guidelines describe the MPO role as under development. As noted by the SGC, the MPO role in the application review process will come into sharper focus in the coming months as SACOG, other MPOs, and SGC staff engage in discussion on options for MPO participation within the proposed streamlined application process.

SALC Program

The Sustainable Agricultural Lands Conservation (SALC) program is a component of the SGC's AHSC Program noted above. It is administered by the California Department of Conservation in conjunction with the Natural Resources Agency. The program supports the protection and management of California's agricultural lands by funding planning and permanent protection of farm and ranch lands via agricultural easements. SALC is designed to prevent increases in GHG emissions by limiting opportunities for expansive, vehicle dependent forms of development in favor of more focused, compact, and transit oriented development within discrete growth boundaries. In future years, SALC is proposed to support farm-scale conservation management practices that further promote reductions in GHG emissions and increases in soil carbon sequestration. The goal of the program is to protect at-risk agricultural lands from conversion to more GHG-intensive land uses, such as urban or rural residential development, in order to promote growth within existing jurisdictions, ensure open space remains available, and support a healthy agricultural economy and resulting food security.

Final Guidelines for this program are anticipated to be available in early April; the application process has two phases with due dates tentatively scheduled for June 2017 and August 2017. In prior cycles, the amount of funding available has ranged from \$5 million to \$37 million. Two investment types are defined in this program. The first is Agricultural Land Conservation Strategies and Outcomes, which are grants to counties, cities, and partners to design and implement a local or regional agricultural land conservation strategy that reduces GHG emissions through the long-term protection of agricultural lands under threat of conversion by promoting regional growth within discrete boundaries. The second is Agricultural Conservation Easements, which are grants to protect important agricultural lands under threat of conversion via permanent agricultural conservation easements. Attachment B outlines eligible projects in greater detail.

Urban Greening Grant Program

The Urban Greening Grant program is administered by the California Natural Resources Agency. This is the first cycle of the program, which supports the development of green infrastructure with multiple benefits and includes eligibility for bicycle and pedestrian infrastructure investments. The program focuses on benefiting disadvantaged communities, with a minimum target of 75% of the \$76 million available to be directed toward benefiting disadvantaged communities. The Urban Greening Grant program provides a unique opportunity to fund green infrastructure that is typically determined to be ineligible through transportation-focused programs such as Active Transportation Program. The Final Guidelines and application were released on March 1st. Project concepts may be submitted to California Natural Resources Agency by April 11th to receive feedback on eligibility and competitiveness; applications are due May 1st.

Approved by:

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KET:RDO:ts
Attachments

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Memorandum

DATE: Wednesday March 8, 2017

TO: Interested Stakeholders

FROM: Affordable Housing and Sustainable Communities (AHSC) Program Staff

RE: Proposed Updates to 2016-2017 Affordable Housing and Sustainable Communities (AHSC) Program Guidelines

AHSC Program Staff across the Strategic Growth Council (SGC), Department of Housing and Community Development (HCD), and Air Resources Board (ARB) thank all of those that provided feedback and recommendations to inform the upcoming 2016-17 round of the AHSC Program. The 2016-2017 Draft AHSC Program Guidelines incorporate feedback obtained through public comments and workshops held in late 2016. This memo provides a summary of our considerations and changes to the 2016-17 Draft AHSC Guidelines.

Summary of Changes in Draft Guidelines

The 2016-2017 Draft AHSC Program Guidelines address concerns and recommendations from statewide AHSC stakeholders, as well as from an internal review of process and outcomes from the past two AHSC funding cycles. A detailed list of all changes and adjustments that were made throughout the Draft Guidelines accompanies this memo. To summarize, some of the primary goals we considered when revising the guidelines included:

- **Organization and Streamlining of Guidelines** – The Draft Guidelines reflect a restructuring of the guidelines document, including the reorganization and simplification of descriptive details. This is an effort to make the AHSC Program Guidelines easier to read and understand, avoid redundancy, and clearly articulate criteria and expectations. Through this process, the document has been shortened by over 20 pages.
- **Moving Select Scoring Criteria to Threshold** – In the last round of AHSC, there were a number of project elements for which the majority of applicants received maximum points, meaning that those elements did not help differentiate applicants from one another. In order to address this issue, this iteration has set several project elements—such as urban greening components, and certain aspects of housing affordability—as required thresholds rather than scored criteria. All applicants will now be required to incorporate those elements into their project.
- **Revised Application Process** – The Concept Proposal portion of the application has been eliminated. In its place is a thorough checklist for applicants to verify threshold attainment and application competitiveness, as well as the opportunity to have an optional one-on-one consultation with AHSC Program Staff to determine eligibility and general observations regarding competitiveness. Combined with increased clarity in the guidelines document, AHSC Program Staff hope to remove the administrative burden that AHSC applicants previously felt in completing two lengthy applications.
- **Revised Scoring Criteria** – In an effort to provide clarity around AHSC application evaluation, we have divided the scoring criteria into three distinct sections:

- Greenhouse Gas (GHG) Reduction Scoring - 30 points: Similar to last year, projects will be assessed both on their overall GHG reduction and the cost efficiency of those reductions. Details on quantifying GHG reduction are included in the Draft Guidelines in the GHG Quantification Methodology (QM).
 - Quantitative Policy Scoring – 50 points: This section includes a variety of AHSC policy objectives, framing these goals in more precise, quantified measures and requiring applicants to submit concrete evidence to receive relevant points. This change should provide applicants with a clearer understanding of what elements will garner them points.
 - Narrative-Based Policy Scoring – 20 points: This section allows the applicant to demonstrate their unique approach to meeting critical AHSC program goals. Some key documentation will be required to help make a case.
- Indian Tribes as Eligible Applicants – Through a year-long internal and stakeholder process, we have amended the guidelines to include federally recognized Indian Tribes as eligible AHSC award recipients.
 - Costs Associated with Parking are Ineligible for AHSC Funds – As signaled in previous versions of the guidelines, costs associated with vehicle and motorcycle parking are no longer eligible to receive funds from AHSC. Note that this does not establish any parking requirements for AHSC projects, but simply prohibits the use of AHSC funds for constructing parking. Electric vehicle charging infrastructure is exempt from this requirement and remains eligible to be funded by AHSC.
 - Housing Element Compliance – AHSC projects will now have to demonstrate that their local jurisdiction has a Housing Element in compliance. Applicants and jurisdictions have until the date of AHSC award recommendations to attain compliance.
 - Environmental Clearance Requirements for Transportation Components – For Sustainable Transportation Infrastructure (STI) and Transportation Related Amenities (TRAs), applicants now only have to demonstrate environmental clearance for these components by the time of grant disbursement. This change better reflects timing differences between housing and transportation projects as they relate to environmental clearances.
 - Joint and Several Liability – Joint applicants of an AHSC project will still be required to be jointly and severally liable for the project. As an additional collaboration option, we have allowed applicants to demonstrate developer experience for Sustainable Transportation Infrastructure (STI) and Transportation Related Amenities (TRA) via executed contracts with a Locality or Transportation Agency. In addition, although collaboration is still highly encouraged, joint applications are no longer incentivized through scoring criteria.

There are several other changes beyond the above items. Please be sure to review the attached list of changes and the Draft Guidelines in its entirety, and submit your questions, concerns, and recommendations.

Continuing Conversations

There are several outstanding items that AHSC Program Staff are still researching and considering in these Draft Guidelines, and some items that will be addressed in future years:

- Metropolitan Planning Organization (MPO) Role in Review of AHSC Applications
Per Council direction, AHSC Program Staff is discussing options for additional MPO participation in AHSC. AHSC Program Staff will engage MPOs over the coming months to determine the role they will play in the 2016-2017 AHSC program cycle.

- AHSC Funding Distribution Goals
Per Council direction, AHSC Program Staff continue to explore regional funding goals as a way to address geographic equity concerns. Options may be presented to the Strategic Growth Council at an upcoming public meeting.
- Farmland Mapping and Monitoring Program (FMMP) Tool to Determine Agricultural Land
AHSC Program Staff is in communication with partners who manage the FMMP tool at the Department of Conservation to learn more about the content and applicability of the tool. In the current Draft Guidelines, the FMMP tool is still listed as the methodology for determining if projects are proposed on prime agricultural land. The AHSC program is committed to encouraging strong infill projects that can clearly demonstrate that they will not jeopardize agricultural lands, but also that they are not fringe or sprawl development.
- “Retirement Community” Designation in GHG Quantification Methodology
AHSC Program Staff acknowledge stakeholder concerns that the “retirement community” designation in the GHG Quantification Methodology may not be an appropriate proxy for senior affordable housing, however, it is currently the designation that most accurately illustrates the travel patterns of senior affordable housing given the available functions within the CalEEMod model. Therefore, for the 2016-2017 AHSC Program Guidelines, the designation of “retirement community” will continue to be used for senior housing projects designation in the AHSC GHG Quantification Methodology. Moving forward, we are committed to working with ARB on ways to recognize differences in potential travel patterns for specific development types in the AHSC Program, and to quantify those differences as appropriate given the available tools and empirical literature.
- AHSC Project Award Size Maximum Amount
Due to uncertainty regarding future cap-and-trade auction revenues and its impact on the total NOFA amount for the next round of AHSC funding, AHSC Program Staff have not made a final determination regarding the total award size of projects for the next round of projects. The round 2 designation of a \$20 million limit per AHSC project currently still stands, but could change based on the total NOFA amount.
- CalEnviroScreen 3.0 and AB 1550 Incorporation
It is currently the intent of the SGC to use CalEnviroScreen 3.0 and subsequent guidelines from the Air Resources Board on implementation of AB 1550 in the third round of AHSC awards. Guidelines language regarding this change is currently not available since neither effort is yet finalized. Specific language will be included upon completion of both efforts.

Next Steps

AHSC Program Staff will be conducting statewide workshops in early April 2017 to discuss the draft guidelines. Dates and locations will be announced in the coming weeks. AHSC Program Staff will then revise the guidelines based on stakeholder feedback and comments. The final 2016-2017 AHSC Program Guidelines are expected to be considered for adoption at the June 1st 2017 Strategic Growth Council meeting.

At this time, we do not have a date for the release of a 2016-2017 AHSC NOFA and application. Timing of application release is dependent on revenues generated by cap-and-trade auctions. We anticipate discussing timing of a 2017 NOFA and application release at the June 1, 2017 Strategic Growth Council meeting.

Please submit specific written comments on these draft guidelines to ahsc@sgc.ca.gov by Friday April 14, 2017.

SALC Draft Program Guidelines 2/7/17

Eligible Projects

Eligible Strategies and Outcomes focus on achievable, action-oriented approaches to agricultural land conservation that result in long-term GHG reductions. For 2016-17, five specific Strategies and Outcomes, and their administrative requirements, are identified below.

Strategy	GHG Quantifiable Outcome	Administrative Requirement
Establish an Agricultural Land Mitigation Program: A local jurisdiction's formal program to conserve agricultural land at a 1:1 ratio (or higher) as identified in its ordinances and policies via a General Plan Update or Amendment.	Agricultural Conservation Easement(s)	Reimbursement concurrent with an ACE grant approved and executed under the SALC Program
Establish an Agricultural Conservation Easement Purchasing Program: The development and implementation of a locally-driven strategy to purchase agricultural easements on strategic properties using dedicated funding source(s), such as dedicated sales or property tax increments.	Agricultural Conservation Easement(s)	Reimbursement concurrent with an ACE grant approved and executed under the SALC Program
Adoption of Urban Limit Line or Urban Growth Boundary: The development and implementation of a locally-driven urban limit line program and restricted Urban Service Area (e.g., water, sewer).	Zoning ordinances that effectively eliminate growth beyond the estimated Project Geographic Area	Reimbursement after the ordinance has been officially adopted through the appropriate governing mechanism
Increase Zoning Minimum for Designated Strategic Agricultural Areas: Updating or amending the local jurisdiction's General Plan to increase minimum acreage (upzoning) for strategic agricultural areas (e.g., from 20-acre to 40-acre minimums).	Zoning ordinances that effectively eliminate growth in the estimated Project Geographic Area	Reimbursement after the ordinance has been officially adopted through the appropriate governing mechanism
Adoption of an Agricultural Greenbelt and Implementation Agreement: Enactment of specified agricultural greenbelt(s) between cities, tied to General Plan updates or legally-binding agreements, that focus agricultural mitigation funds or related farm/open space funds to establishing the greenbelt buffer. The greenbelt will contain primarily agricultural lands. Other lands with conservation values may be given secondary consideration for inclusion in an Agricultural Greenbelt.	Results in both Agricultural Conservation Easement(s) and Zoning ordinances that effectively eliminate growth in the estimated Project Geographic Area	Reimbursement concurrent with an ACE grant approved and executed under the SALC Program or Reimbursement after completion of the Greenbelt and Implementation Agreement