

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: October 20, 2022

TO: Honorable Members of the City Council

FROM: Sharon M. Tso *Karen Kalfayan - ig For*
Chief Legislative Analyst

Assignment No: 22-09-0523
Council File No.: 15-0087-S10

**City Comments on the Affordable Housing and Sustainable Communities (AHSC)
Round 7 Program Draft Guidelines**

SUMMARY

The Los Angeles Housing Department (LAHD) proposes changes to the State's Affordable Housing and Sustainable Communities (AHSC) Program Round 7 Draft Guidelines. Our Office has reviewed several comments that would be submitted to the State on behalf of the City (C.F. 15-0087-S10). Under the AHSC Program, "Cap-and-Trade" funding is distributed on a competitive basis for transit-oriented developments including affordable housing and infrastructure projects that contribute to a reduction in greenhouse gas emissions. This investment is necessary for transit-oriented affordable housing and related infrastructure improvements to be financially feasible.

It is recommended that the LAHD comments be submitted, as amended to revise one comment related to all-electric design of buildings. This Office recommends that the move to all-electric buildings not be postponed as proposed by LAHD but agrees with LAHD's recommendation that the all-electric requirement be phased in to apply to only new construction in this round and expand its applicability to all housing types in future rounds.

On September 30, 2022, California's Strategic Growth Council (SGC) released its draft AHSC Program Round 7 Program Guidelines (Draft Guidelines) for public comment. LAHD has coordinated with several departments, including the Department of City Planning, Department of Transportation, and the Bureau of Engineering, to generate a comprehensive set of comments.

This report provides an overview of the AHSC Program, the program's tentative schedule, and LAHD's comments to the Draft Guidelines for Council's consideration. It is recommended that Council adopt the attached Resolution (Attachment A) formalizing the City's position on the Draft Guidelines, authorize LAHD to formally submit the comments described in this report (Attachment B) to the SGC as the City's official position, and instruct LAHD to analyze any subsequent proposed changes to the AHSC Program and draft additional comments, as necessary, for Council approval.

RECOMMENDATIONS

That the Council, subject to approval of the Mayor:

1. Adopt the attached Resolution (Attachment A) to support the Affordable Housing and Sustainable Communities (AHSC) Program Round 7 Draft Guidelines and seek amendments consistent with the comments submitted by the Los Angeles Housing Department (LAHD), with a revision to the all-electric requirement.
2. Authorize General Manager of the LAHD, or designee, to submit comments (Attachment B), as amended, to the California Strategic Growth Council (SGC) by the October 31, 2022 public comment deadline.
3. Direct LAHD to monitor any new proposed changes to the AHSC Program Round 7 Draft Guidelines and report, as necessary, on additional comments for Council approval.

BACKGROUND

The SGC notes that the AHSC Program “furthers the purposes of AB 32 (2006), SB 375 (2008), and SB 32 (2016) by investing in projects that reduce greenhouse gas emissions by supporting more compact, infill development patterns; encouraging active transportation and transit usage; and protecting agricultural land from sprawl development.” AHSC’s funding is made possible through what is commonly known as the “Cap and Trade” program proceeds, which are deposited into the State’s Greenhouse Gas Reduction Fund (GGRF).

Since the AHSC Program’s first program year, FY 2014-15, the City of Los Angeles has been awarded approximately \$492 million to support thirty-five (35) projects comprising an estimated 3,872 affordable housing units and numerous greenhouse-gas reducing transit infrastructure projects. Per LAHD, approximately \$750 million will be available statewide in Round 7, the current round of funding.

Timeline

Public comment on the Draft Guidelines may be submitted through October 31, 2022 and the SGC anticipates considering the final guidelines at its December meeting. The AHSC Program’s timeline is noted below.

Program Guidelines – Public Comment Due	October 31, 2022
SGC Meeting: Consider Final AHSC Program Guidelines	December 2022
Notice of Funding Availability released	January 2023
Applications Due	March 2023
Awards Announcement	August 2023

Los Angeles Housing Department’s (LAHD) Comments

LAHD’s comments relative to the draft AHSC guidelines are summarized below and are provided in their entirety as Attachment B. It is anticipated that the comments provided will help make the City’s projects competitive in leveraging additional resources to fund transit-oriented affordable housing developments and integrated connectivity projects. This Office has prepared a Resolution which, if adopted, would add these comments to the City’s State Legislative Program (Attachment A). It is recommended that LAHD be authorized to submit the City’s comments summarized below to the SGC.

Recognize positive AHSC Program changes

- Highlight positive changes to the updated guidelines, including: (1) updating the Disadvantaged Communities designation with the Cal EnviroScreen 4.0; (2) increasing the maximum award amount to \$50 million; (3) raising the funding cap on Sustainable Transportation Infrastructure (STI) and Transportation Related Amenities (TRA) projects to \$1.5 million; and (4) raising the funding cap for “Community Education and Other Program Costs” to \$600,000, among other program improvements.

Request the following changes and clarifications in the proposed guidelines, with an amendment to strike-out the language indicated

- Maintain the current definition of a Project Area.
- Increase the allowable percentage cap on soft costs for STI projects from 30 to 35 percent and TRA projects from 10 to 15 percent.
- Maintain the current CEQA/NEPA clearance timeline and applicability requirements.
- ~~Postpone the requirement that all residential projects, including any commercial components, have an all-electric design; or~~ if all-electric is required, that it only apply to new construction projects in this round and to all projects (e.g., substantial rehabilitation and nonresidential conversion) in the future.
- Maintain the current scoring criteria for TRA projects.
- Expand the scoring criteria for public land.
- Revise the scoring criteria under the Pro-housing designation.
- Maintain the current scoring criteria for anti-displacement activities.
- Provide a definition for “region” and clarification of the reporting requirements under the “Local Workforce Development and Hiring practices” section.
- Postpone the change to the scoring system that would prioritize larger bedroom units for Extremely Low Income units.
- Remove the proposed Negative Points Policy until there is further evaluation of its potential impacts.
- Maintain the current definition of “Enforceable Funding Commitment” which allows for tax credit equity, tax exempt bonds, and the AHSC request to count as committed funding.
- Maintain the current definition of “High Quality Transit.”
- Provide guidance on what constitutes sufficient documentation for systematic ridership impacts.

In previous years, the City has submitted comments to the SGC relative to AHSC program draft guidelines. Therefore, it is recommended that Council adopt the attached Resolution with the City’s comments on the current draft guidelines and instruct LAHD to submit comments to the State prior to the expiration of the public comment period.

Dora Huerta -rg

Dora Huerta
Analyst

Attachments: A. Resolution
B. LAHD’s comments to the AHSC Program Round 7 Draft Guidelines

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies, proposed to or pending before a local, state or federal government body or agency, must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the State of California’s Strategic Growth Council (SGC) released the Affordable Housing and Sustainable Communities (AHSC) Program Round 7 Draft Guidelines (Draft Guidelines), updating the competitive process for distributing an estimated \$750 million to promote transit-oriented housing and sustainable infrastructure throughout the State; and

WHEREAS, the Los Angeles Housing Department (LAHD) proposes to submit the following comments, summarized below and attached in their entirety, to request changes and clarification in the Draft Guidelines on behalf of the City by State’s deadline, October 31, 2022:

- Maintain the current definition of a Project Area.
- Increase the allowable percentage cap on soft costs for STI projects from 30 to 35 percent and TRA projects from 10 to 15 percent.
- Maintain the current CEQA/NEPA clearance timeline and applicability requirements.
- Apply the all-electric building design requirement to only new construction projects in this round and to all projects (e.g., substantial rehabilitation and nonresidential conversion) in the future.
- Maintain the current scoring criteria for TRA projects.
- Expand the scoring criteria for public land.
- Revise the scoring criteria under the Pro-housing designation.
- Maintain the current scoring criteria for anti-displacement activities.
- Provide a definition for “region” and clarification of the reporting requirements under the “Local Workforce Development and Hiring practices” section.
- Postpone the change to the scoring system that would prioritize larger bedroom units for Extremely Low Income units.
- Remove the proposed Negative Points Policy until there is further evaluation of its potential impacts.
- Maintain the current definition of “Enforceable Funding Commitment” which allows for tax credit equity, tax exempt bonds, and the AHSC request to count as committed funding.
- Maintain the current definition of “High Quality Transit.”
- Provide guidance on what constitutes sufficient documentation for systematic ridership impacts.

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by adoption of this Resolution, the City of Los Angeles hereby includes in its 2023-24 State Legislative Program SUPPORT for the California Strategic Growth Council’s (SGC) Affordable Housing and Sustainable Communities (AHSC) Program Round 7 Draft Guidelines and seek amendments consistent with the proposed comments described above.

City of Los Angeles

Ann Sewill, General Manager
Tricia Keane, Executive Officer



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October 18, 2022

City of Los Angeles Public Comment on the Affordable Housing and Sustainable Communities (AHSC) Round 7 Draft Guidelines

The Los Angeles Housing Department, on behalf of the City of Los Angeles, would like to take this opportunity to provide comments and feedback on the Affordable Housing and Sustainable Communities (AHSC) Round 7 Draft Guidelines and application process.

The City of Los Angeles (City) commends the Strategic Growth Council's (SGC) for addressing and accommodating many of the City recommended changes reflected from previous submitted comments and commends the SGC and its staff for a successful program implementation over the past six rounds of funding. We appreciate the continued attentiveness and flexibility from the SGC and its staff during the recent spring stakeholder process which underscores your continued commitment to improve this vitally important program to reach its maximum potential in reducing greenhouse gas (GHG) emissions and increasing the affordable housing supply through the deployment of this critical funding source.

As the City and the State continue to face an ever-increasing housing affordability crisis exacerbated by the COVID-19 pandemic, the AHSC program continues to be a key source of funding for affordable housing and sustainable transportation infrastructure development.

The following is a summary of the most salient opportunities for improvement in the Round 7 AHSC Draft Program Guidelines and reflect a comprehensive set of recommendations from the City's AHSC team including: Department of Transportation, Department of City Planning, Bureau of Engineering, Housing Department and other departments. The attached City's comments (please see Attachment 1 for detailed comments and recommendations) reflect our collective practical experience over the past six rounds and are intended to help address questions on newly proposed changes, outstanding draft guidelines issues and overall application point criteria.

The City of Los Angeles would first like to specifically acknowledge and support the SGC's thoughtful and needed proposed changes below:

- Updating the Disadvantage Communities (DAC) designation using CalEnviroScreen 4.0
- The increased maximum award to \$50 million
- The STI and TRA funding cap raised to \$15 million
- The increased cap to \$600,000 for Programs (PGM)
- The addition of internet service as an eligible PGM expense and its requirement for all restricted units
- The updated Key Destinations categories and detailed definitions provided in Appendix A
- Walkable routes in Project Areas in place by the time a Certificate of Occupancy

- Length of Context Sensitive Bikeways (CSB) and other STI improvement uniformly measured by Lane Miles
- Providing additional points for projects that improve existing transit routes
- Providing points for a Prohousing Designation

The City is submitting recommendations for the following proposed changes with detailed comments provided below in Attachment 1:

- Maintain the project area definition from Round 6
- Increase the cap on soft costs to 35% for STI projects to 35% and 15% for TRA projects
- Maintain the requirements of CEQA/NEPA clearance from Round 6
- Postpone the all-electric design for a future round, or make it a requirement for only New Construction
- Maintain the TRA points criteria from Round 6
- Expand the public land criteria for points
- Modify the Prohousing Designation point system to allow up to two points for jurisdictions that have submitted an application and have more than three existing prohousing policies
- Maintain the anti-displacement activities point system from Round 6
- Define “region” in the Restructured Local Workforce section
- Postpone the new ELI point system for larger bedroom unit counts
- Reconsider the implementation of the Negative Point Policy
- Maintain the High Quality Transit definition from Round 6
- Provide further elaboration on what constitutes sufficient documentation for systemwide ridership impacts

The City thanks you for your review and consideration of our comments and looks forward to their inclusion in the upcoming Final Round 7 Program Guidelines.

Sincerely,

Los Angeles City AHSC Team

Attachment 1: City of Los Angeles, AHSC Round 7 Draft Guidelines: Recommendations and Suggested Changes

Attachment 1

City of Los Angeles (the City), Affordable Housing and Sustainable Communities Program (AHSC) Round 7 Draft Guidelines: Recommendations and Suggested Changes

Specific recommendations in order of Guidelines sections:

Eligible Projects: Project Area and STI may extend beyond the Project Area - Section 102(a)(1) & Section 102(a)(3), page 8.

Restricting the project area to a 1-mile radius will impact projects that do not have access to STI improvements (e.g., bicycle, pedestrian or transit opportunities) within a 1-mile radius. Allowing the project area to extend by ½ mile buffers with the STI improvements creates more transportation and transit opportunities for communities to reach key destinations. For example, residents can reach a transit route outside of this 1-mile radius, benefiting the community with other options for commuting.

Recommendation: The City recommends that the Round 7 Guidelines maintain the project area definition from Round 6, allowing ½-mile buffers outside the 1-mile, in order to benefit communities by creating more linkages to transportation and transit options.

Eligible Costs: Soft Costs for STI Projects - Section 103(3)(A)(ii), page 16 and TRA Projects - Section 103(4)(B)(ii), page 17.

The City is experiencing the economic reality of rising costs in soft costs for the planning and design of STI projects and TRA improvements. The experience of prior projects has demonstrated the current funding for soft costs of 30% for STI and 10% for TRA is limited. For instance, the City Bureau of Street Lighting (BSL) has determined the existing 10% cap on soft costs for TRA projects is not sufficient moving forward based on the City's cost estimation process. BSL has calculated that it requires 15% soft costs for the completion of design. This translates to a minimum of \$50,000 needed for projects that require a Proposition 218 ballot proceeding. Increasing the TRA allowance to 15% would provide the needed amount to ensure that the City can sufficiently plan for critical street lighting needs in communities. In addition, the Bureau of Engineering (BOE) reports that soft costs are increasing because the City encounters projects at varying stages of completion that overlap. This requires BOE to rescope the projects, resulting in more staff time to resolve these issues alongside partner agencies. Increasing the STI allowance to 35% would also ensure that the City can appropriately plan for critical engineering needs across the City. An increase in both STI and TRA soft costs would help address any funding gaps that may occur in the future. And, more importantly, increasing the STI and TRA soft costs would ensure that the City can continue to plan for critical STI and TRA components.

Recommendation: The City recommends that SGC increase the cap of soft costs for STI to 35% and TRA projects to 15%. Each project varies depending on their size and the increased soft costs cap would provide the City the ability to adequately finance the planning of approved projects.

Program Threshold Requirements: CEQA/NEPA Clearance - Section 106(a)(8), page 25.

The City has significant concerns that the text deleted from Round 6 guidelines will require CEQA/NEPA clearances for the transportation improvements to be completed by the application deadline rather than by the time of initial funding disbursement. In the past, CEQA/NEPA clearance was not required for transportation improvements for this conceptual phase. These changes push up the timeline for transportation improvements, and since the guidelines are still in a draft state and there is limited time before applications are due, this could introduce challenges for having projects ready in time. In addition, the City is concerned about the requirement to complete any environmental clearances prompted exclusively by rental and/or operating subsidies by the AHSC application deadline. Specifically, NEPA clearance for project based vouchers has not been required in the past. At this late stage in the process, developers would have already needed to apply for NEPA clearance. The NEPA process is lengthy and can take between 90- 120 days to complete. Other HCD funding sources do not require the developer to have NEPA clearance prior to the application. Lastly, NEPA clearance for operating or rental subsidies does not jeopardize the construction of a project. Requiring developers to obtain NEPA clearance for project based vouchers would eliminate their eligibility to apply for AHSC funding.

Recommendation: The City STRONGLY recommends not making this change and keeping the CEQA/NEPA clearance threshold timeline as outlined in the Round 6 Final Guidelines. Firstly, transportation projects should be exempt from having to acquire CEQA/NEPA clearance prior to the application. And, secondly, NEPA clearance should not be required for rental and/or operating subsidies prior to the AHSC application deadline.

Program Threshold Requirements: All-Electric Design for AHD projects - Section 106(a)(22), page 29.

The move to all-electric buildings is a drastic change in funding requirements. The City of Los Angeles' Green New Deal (2019) and a City Council Motion (CF: 21-1463) adopted earlier this year have initiated efforts among several key departments including LA Department Water and Power, Building and Safety, and Housing to engage and complete a robust stakeholder process prior to the City adopting any new policies requiring new residential, and existing developments to be all-electric. In the City's initial outreach to affordable housing developers, they noted that developers currently are not able to offset upfront infrastructure costs as passthroughs to prospective tenants due to the set income and rent limits in public funding (LIHTC, etc.). Stakeholders expressed major concerns around the cost and feasibility of existing building retrofits and conversions. Stakeholders also expressed concerns that an all-electric design for commercial spaces would limit leasing opportunities, as not all businesses are equipped for and educated about all-electric operations. This would further increase commercial vacancies. The City already faces difficulties in leasing commercial and retail spaces. Requiring all-electric design in the entire commercial footprint increases risk for a decrease in cash flow with significant impacts to operating budgets for the projects.

Recommendations: The City urges the SGC to introduce this requirement for future funding rounds or through a phased-in approach to allow local jurisdictions and developers time to prepare for new, carbon-free technologies, corresponding operating costs. Before limiting funding to all-electric projects, we strongly urge SGC to identify additional funding opportunities or augment funding awards for jurisdictions and affordable housing developers to meet decarbonization goals and offset upfront infrastructure investment. In addition, SGC should conduct more

direct and meaningful outreach on this issue. If an all-electric design is implemented for Round 7, the City recommends that all-electric requirements apply to only New Construction projects, and not for Acquisition and Substantial Rehabilitation or nonresidential Conversion projects. In addition, commercial space should be exempt from the all-electric requirement. The City has engaged in a robust public discussion and the City respectfully requests your full consideration in delaying and/or phasing in this proposed new requirement.

Scoring Criteria: Simplifying TRA points for funds along Transit Station/Stop - Section 107(d)(2), page 37.

This is a significant change because jurisdictions will have to spend the TRA budget along the side of block face(s) that include a Transit Station or Stop only. This proposed change conflicts with the definition of “Safe and Accessible Walkways” which requires the project’s walkway to have shade and lighting. The City typically installs trees and lighting along the Safe and Accessible Walkway to satisfy this definition. Not all city blocks have transit stations or stops. Therefore, TRA improvements along blocks without transit stations or stops would not qualify under this proposed TRA definition change. With this proposed change, cities would have to decide whether to obtain points for the Safe and Accessible Walkway or the TRA along the block with a Transit Station/Stop.

Recommendation: The City STRONGLY recommends keeping the TRA criteria from the previous guidelines as stated in Round 6 to provide greater flexibility and to prevent conflicts with the Safe and Accessible Walkway definition.

Scoring Criteria: Points for Public Land - Section 107(d)(3), page 38.

The City supports awarding points to AHD projects using public land; however, the proposed criteria of only Excess Land, Surplus Land, Exempt Surplus Land, or land from a transit agency is very limited. In our experience, the City often develops projects on Los Angeles County land and city-owned land from the Housing Authority of the City of Los Angeles (HACLA) and the Los Angeles Housing Department (LAHD). For example, several successful AHSC projects have benefitted from these donated properties. These projects are beneficial in the production of affordable housing for the entire region and foster collaboration between public agencies not represented in the proposed list.

Recommendation: The City recommends expanding the criteria in which a project may receive a point to include projects on ANY existing public land or public land that is sold to a private developer for the production of 100% affordable housing. For example, other eligible land should include County-owned land, City-owned land, former Community Redevelopment Agency land, and land from public housing authorities.

Scoring Criteria: Points for Prohousing Designation - Section 107(g), page 39.

The City of Los Angeles appreciates and strongly supports the proposal to provide up to three points for cities with a Prohousing Designation as this rewards a commitment to accelerating housing production throughout the

state. However, we urge the SGC to consider the ongoing delay at HCD with the approval of Prohousing Designation applications as well as the earnest effort put forth by many jurisdictions with an application already in the queue at HCD. In a short time span, these cities have worked diligently to apply new, sometimes politically difficult, policies that eliminate barriers or enhance housing production and awarding only one point for this work does not appear to be commensurate with the considerable effort that each city made. All jurisdictions who have submitted Prohousing applications, with the exception of one, are still pending due to Applicant Revision, on Hold, or In Review with no estimated timeline of completion. The proposed maximum three points would only be available for one existing Prohousing designated jurisdiction resulting in a relatively large disadvantage among all other applicants awaiting a final determination from HCD.

Recommendation: While the City supports the new Prohousing Designation points, it is recommended that the total points for cities with a pending Prohousing Designation application be augmented to better align with the effort entailed to become Prohousing eligible and submit an application. To ensure some level of balance for Round 7, the proposed change can be modified to provide up to two points, instead of just one, for jurisdictions with at least three of the listed prohousing policies in place at the time of application.

Scoring Criteria: Anti-Displacement activities must include an Assessment and Commitment letter. - Section 107(h), page 41.

While the City applauds SGC's intent to increase anti-displacement activities, the implemented activities by a non-profit or locality can be costly and impact the feasibility of projects. In addition, executing a Commitment Letter with a detailed work-plan as part of an application will be onerous and time-consuming with limited time available before the application deadline. Such a requirement will likely result in the hiring of a dedicated consultant to complete a detailed work plan, which adds costs and puts more time pressure on the applicant. The guidelines from Round 6 recognizing the existence of local policies to prevent displacement in the area surrounding the Project is sufficient. The City is continuously working to improve tenant protections beyond state requirements. Detailed, legal Commitment Letters will require additional administrative time and resources.

Recommendation: The City recommends keeping the anti-displacement guidelines as outlined and adopted in Round 6, as they acknowledged the City's local anti-displacement policies as successful strategies.

Scoring Criteria: Restructured Local Workforce section - Section 107(i), page 44.

In Section C, the proposed guidelines mention that projects that have developed a Project Labor or Community Workforce Agreement should provide documentation for job creation for residents of under-resourced, tribal, and Low-income Communities in the same region as the proposed project. The City is unclear how the term region is defined. If the "region" is too large, it would be challenging or costly to create jobs in such a large geographic region.

Recommendation: The City recommends that SGC define "region" for the proposed project and to further outline this proposed potentially complicated reporting requirement.

Scoring Criteria: Increased percentage of larger bedrooms for ELI units - Section 107(j)(1), page 44.

The City supports the SGC's efforts to incentivize the production of larger family-size units for Extremely Low-Income (ELI) households. However, the reallocation of points to include a preference for larger bedroom unit sizes is unexpected and would significantly impact existing project plans. Most developers have already finalized their bedroom size counts and it would be too late to modify existing plans as many potential applicants are already seeking to finalize their designs and financing based on guidance from the previous round. SGC should recognize that currently developers are facing increases in construction costs and prioritizing this at this time will make it more difficult in obtaining the maximum points for ELI family size units under the proposed change. In addition, the majority of ELI units from the City's past AHSC projects have been studio and one-bedroom units largely due in part to help address the region's homelessness crisis. For example, permanent supportive housing developments are typically reserved for residents with smaller households, such as veterans and the elderly. This proposed change could have immediate unintended consequences of raising development costs for this coming round.

Recommendation: The City recommends that SGC include this change in a future round to allow developers to adequately prepare for the change, providing them sufficient time to plan and finance accordingly. Specifically, developers should be given time to reevaluate their proformas to include more ELI three-bedroom or larger units. In addition, the State should evaluate how to balance prioritizing larger bedroom units with producing housing for people experiencing homelessness and/or other supportive housing projects.

Application Process: Negative Points Policy - Section 108(e), page 49.

The City is concerned with numerous aspects of this proposed addition, including but not limited, penalties for timeline delays, and lack of clarity whether a point reduction for one project will translate to the same number of points being deducted on all future projects. Regarding time delays, it is common for developers to make changes to unit counts, AMI levels, and other items throughout the application and implementation process. Furthermore, delays in Standard Agreements can stretch three to four years resulting in a mismatch between milestone dates in the Standard Agreement and actual implementation dates. Given that LAHD serves as a co-applicant, it is unclear if and how all future City applications will be penalized for circumstances noted above. We are concerned that the proposed penalties—which are often out of the City's control—will negatively impact the City's applications and jeopardize critical affordable housing financing available to the City. This undermines the State's goals for solving the affordable housing crisis.

Recommendation: While the City understands SGC's intent to create stronger accountability, the City STRONGLY recommends that SGC remove the Negative Points Policy until further evaluation is conducted to understand the potential impacts of this policy.

Appendix A: Definitions: Enforceable Funding Commitment (EFC), page 66.

The City is very concerned about the elimination of tax credit equity and tax-exempt bonds from this definition. This will be a significant issue for all projects in reaching the 90% EFC threshold in section 106(a)(7). Most

developers rely on tax equity and AHSC funding to meet 90% EFC. This is consistent with AHSC as a gap financing for affordable housing production. If this issue is not resolved, many developers applying to AHSC may not be able to reach the threshold. **If this proposed guideline is adopted, the City will have virtually no applicants in AHSC Round 7 since this threshold will be effectively impossible to meet.**

Recommendation: The City STRONGLY recommends SGC keep the same definition from the Final Round 6 Guidelines, which allowed tax-equity, tax exempt bonds and the AHSC request to count as committed funding as in prior rounds. The City does not understand the need to pursue this impactful change that will not only impact the application pool in the City, but in the State overall.

Appendix A: Definitions: High Quality Transit, page 68.

The proposed change to the definition of High Quality Transit requiring service frequency as of January 2022 could unintentionally penalize transit operators who have been able to restore service to pre-pandemic levels due to factors out of their control. For example, some transit operators (LA Metro included) have not recovered from pandemic-era schedule reductions in part due to labor shortages. The City struggles to hire sufficient bus drivers to return frequency to pre-pandemic levels. While this is a temporary schedule reduction, it could affect applications for Round 7 if the January 2022 date is used as proposed in the definition of High Quality Transit.

Recommendation: The City recommends SGC keep the definition from Round 6 in which the Peak Period headway frequency should be shown on a transit provider's schedule at some point between January 2020 (not 2022) and the time of application. This would allow transit agencies who have not been able to hire drivers or return to pre-pandemic schedules to compete in the AHSC process.

Comments on California Air Resources Board Draft User Guide for the Affordable Housing and Sustainable Communities Program

Route vs system-wide ridership, page 18.

The City appreciates the state's attention to route vs system-wide ridership, but further clarity is required on what constitutes documentation for systemwide ridership. In previous rounds, LADOT has relied on a system-wide ridership calculation. That calculation was based on a SCAG model. If the State does not accept the previously submitted SCAG model, that will significantly decrease the City's GHG reductions due to transit. Not being able to use a system-wide ridership would undermine the State's goals to reduce GHGs. In addition, this proposed change would compromise LADOT's ability to fund complete electrification of its fleet.

Recommendation: The City requests that SGC elaborate on what constitutes sufficient documentation for systemwide ridership impacts. For example, would the State require correspondence from SCAG to satisfy that requirement? The State should standardize what is acceptable documentation for continued clarity, transparency, and consistency throughout the GHG quantification process prior to pursuing this change.

