

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: October 23, 2015

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 15-0087
Assignment No: 15-10-0813

**City Comments on the Draft 2015-16 Affordable Housing
and Sustainable Communities (AHSC) Program Funding Guidelines**

SUMMARY

On February 4, 2015, the City Council adopted a Housing Committee report (CF #15-0087) pursuant to a Motion (Cedillo - Buscaino) (Attachment A) which directed the Housing and Community Investment Department (HCID) to report on the 2014-15 Affordable Housing and Sustainable Communities (AHSC) Program guidelines, the application process and the process by which the City of Los Angeles may recommend projects for funding. Pursuant to the Housing Committee's instruction, our office convened a working group to develop a list of prioritized projects that the City would support prior to the April application deadline. In June 2015, the Strategic Growth Council (SGC) announced its AHSC awards for its first funding round and in August 2015 the Housing Committee heard a report from HCID and our office relative to the outcomes of the 2014 -15 funding round. HCID and our office reported on the awards made to projects in the City and the need to monitor any changes to the 2015-16 program guidelines. At the request of the Chair of the Committee, HCID was directed to work with our office to craft comments on the draft 2015-16 program guidelines for Council approval, prior to submitting to the SGC.

On September 15 and October 16, 2015, HCID and our office convened working group meetings including representatives from the Mayor's Office, Department of Transportation, Planning, the Housing Authority of the City of Los Angeles, Los Angeles County Metropolitan Authority and Enterprise Community Partners to discuss the AHSC Program and draft 2015-16 program guidelines. HCID and Enterprise Community Partners, a non-profit organization, have entered into a Memorandum of Understanding whereby Enterprise Community Partners has agreed to provide technical assistance and expertise to help the City position itself as a potential (co-) applicant and support efforts to make projects in the City be more competitive. This report includes an estimated 2015-16 AHSC Program timeline, a summary of the working group's comments for submission to the SGC, and a Resolution, which will add the comments to the City's State Legislative Program.

Subsequent to the release of the draft guidelines, SGC staff released a staff report (dated 10/15/15) with options for public discussion on matters related to: (1) coordination with Metropolitan Planning Organizations; (2) a new Catalytic Project Type; and (3) geographic distribution of funds, which were also discussed among the working group, but may require further analysis if these options become proposed Program changes. Our office recommends that HCID analyze any subsequent proposed changes to the Program, and draft additional comments, as necessary, for Council approval.

BACKGROUND

According to the Strategic Growth Council, the AHSC Program furthers the purposes AB 32 and SB 375 by investing in projects that reduce greenhouse gas emissions; support compact, infill development; encourage active transportation and transit usage; and protect 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). During the AHSC Program’s first program year (2014-15), the State allocated \$130 million to the Program. However, in accordance with SB 862, beginning in FY 2015-16, 20 percent of the annual proceeds of the GGRF will be appropriated for the AHSC Program, increasing the amount available to an estimated \$400 million. The SGC announced its second round of AHSC Program funding and released its draft guidelines on September 17, 2015. The SGC’s deadline to submit comments is October 30th and it anticipates adopting final guidelines on December 17, 2015. The 2015-16 AHSC Program’s estimated timeline is noted below.

Release of the 2015-16 Notice of Funding Availability	January 2016
Concept Applications Due	February 2016
Full Applications Due	April 2016
Awards Announced	July/August 2016

Pursuant to the Housing Committee’s instruction on August 19, 2015, comments relative to the draft 2015-16 AHSC guidelines are summarized below and provided in their entirety as Attachment C. It is anticipated that the comments provided will help make the City’s projects competitive in leveraging additional resources to fund transit-oriented developments and integrated connectivity projects. Other ideas were discussed in the working group but are not being submitted as formal comments at this time. Further, our office has included a Resolution which, if adopted, would add these comments to the City’s State Legislative Program. Our office recommends that HCID be responsible for submitting the City’s comments to the Strategic Growth Council.

Housing and Community Investment Department’s (HCID) Comments

Guidelines

- Highlight positive changes to the updated guidelines including: (1) removal of the \$15 million local jurisdictional cap; (2) additional points for deeper affordability; (3) incentivizing the joint submittal of applications with public agencies; (4) adjusting CEQA requirements; (5) revising joint liability provisions; (6) funding the preservation of at-risk affordable housing and rent stabilized housing; and (7) increasing the maximum loan per restricted unit receiving 4% low-income housing tax credits from \$30,000 to \$50,000.
- Recommend that commitment letters from jurisdictions with their own tax credit geographic apportionments be considered committed for purposed of AHSC funding.
- Relative to relying on the Walkscore.com as the source for scoring the bikeability and/or walkability of the immediate surrounding area, allow applicants to conduct their own case study to counter or complement Walkscore.com; and reduce the weight of points for both pre-existing bicycle and pedestrian infrastructure at such as advanced level.

Preliminary Policy Options

- Relative to considering a geographic distribution, recommend that funds be apportioned in a balanced and equitable manner based on a combination of factors, including the prevalence

of disadvantaged communities, population, poverty, urbanization, housing costs, and transportation infrastructure investment at a scale smaller than a Metropolitan Planning Organization (MPO).

- Highlight support for a Catalytic Projects category.

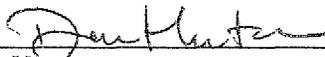
RECOMMENDATIONS

That the Council:

1. Adopt the attached Resolution (Attachment B) to support Housing and Community Investment Department's (HCID) comments on the draft 2015-16 Affordable Housing and Sustainable Communities (AHSC) Program guidelines.
2. Authorize HCID to compile and submit comments (Attachment C) with a joint City letter executed by the Mayor, Council President, and Chair of the Housing Committee, to the Strategic Growth Council by the October 30, 2015 deadline.
3. Direct HCID, with the assistance of the CLA, to monitor any new proposed changes to the draft 2015-16 AHSC Program guidelines and report, as necessary, on additional comments for Council approval.

FISCAL IMPACT

There is no fiscal impact at this time.



Dora Huerta
Analyst

Attachments: A. Motion (Cedillo -Buscaino)
B. Resolution
C. HCID's comments to the draft 2015-16 AHSC Program guidelines

HOUSING

MOTION

On January 20, 2014, California's Strategic Growth Council approved regulations for the Affordable Housing and Sustainable Communities Program (AHSC Program), to fund projects that support infill and compact development in effort to reduce greenhouse gas emissions. In 2006, the State approved AB 32 (Nuñez), the Global Warming Solutions Act, authorizing the use of market-based compliance mechanisms to reduce greenhouse gas emissions and collected monies are deposited in the Greenhouse Gas Reduction Fund (GGRF). In 2014, the State approved SB 862, which tasked the Strategic Growth Council with developing the AHSC Program. Approximately \$130 million is available for FY 2014-15 and SB 862 requires that, beginning in the 2015-16 fiscal year, 20 percent of the annual proceeds of the GGRF be appropriated for the AHSC Program.

The City of Los Angeles supports the AHSC Program's objectives and is firmly committed to sustainable communities and the reduction of greenhouse gas emissions. The AHSC Program funds will help leverage other City resources to increase the availability of quality affordable housing for its residents. The compressed timeline for awarding AHSC funds, includes a process whereby an eligible applicant submits a concept proposal, and only upon invitation, can submit a final proposal for funding. It is in the best interest of the City of Los Angeles to participate in and coordinate with other entities throughout the review process and recommend projects for funding.

I THEREFORE MOVE that the Housing and Community Investment Department be directed to report at the next Housing Committee on the recently approved AHSC Program regulations, the application process and the process by which the City of Los Angeles may recommend projects for funding.

PRESENTED BY:

Gilbert Cedillo (for)

GILBERT CEDILLO
Councilmember, 1st District

SECONDED BY:

Joe Buscetta

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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) has released the draft 2015-16 Affordable Housing and Sustainable Communities Program (AHSC Program) guidelines to support infill and compact development that result in a reduction of greenhouse gas emissions; and

WHEREAS, the State is expected to appropriate approximately \$400 million for FY 2015-16 and SB 862 requires that 20 percent of the annual proceeds of the GGRF be appropriated for the AHSC Program; and

WHEREAS, the funding from the AHSC Program is critical to the City of Los Angeles' efforts to increase the availability of quality affordable housing and transportation-related improvements for its residents and reduce greenhouse gas emissions in disadvantaged communities;

WHEREAS, the City has convened a working group to craft comments to the draft 2015-16 AHSC Program guidelines and proposes the following comments, as submitted by the Housing and Community Investment Department:

- Highlight positive changes to the updated guidelines including: (1) removal of the \$15 million local jurisdictional cap; (2) additional points for deeper affordability; (3) incentivizing the joint submittal of applications with public agencies; (4) adjusting CEQA requirements; (5) revised joint liability provisions; (6) funding the preservation of at-risk affordable housing and rent stabilized housing; and (7) increased maximum loan per restricted unit receiving 4% low-income housing tax credits from \$30,000 to \$50,000.
- Recommend that commitment letters from jurisdictions with their own tax credit geographic apportionments be considered committed for purposed of AHSC funding.
- Relative to relying on the Walkscore.com as the source for scoring the bikeability and/or walkability of the immediate surrounding area, allow applicants to conduct their own case study to counter or complement Walkscore.com; and reduce the weight of points for both pre-existing bicycle and pedestrian infrastructure at such as advanced level.
- Relative to considering a geographic distribution, recommend that funds are apportioned in a balanced and equitable manner based on a combination of factors, including prevalence of disadvantaged communities, population, poverty, urbanization, housing costs, and transportation infrastructure investment at a scale smaller than a Metropolitan Planning Organization (MPO).
- Highlight support for a Catalytic Projects category.

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 2015-16 State Legislative Program SUPPORT for the Strategic Growth Council's draft 2015-16 Affordable Housing and Sustainable Communities Program guidelines with the amendments listed above to be submitted to the Strategic Growth Council as the City of Los Angeles comments.

October 20, 2015

Strategic Growth Council (SGC):

Comments on the Draft 2015-16 SGC Affordable Housing and Sustainable Communities (AHSC) Program Guidelines issued September 17, 2015 and the October 15, 2015 SGC Staff report, Agenda Item #7 regarding AHSC

The City of Los Angeles Housing + Community Investment Department (HCIDLA) supports liveable and sustainable neighborhoods by promoting, developing and preserving decent and affordable housing. The HCIDLA welcomes the opportunity to provide comments on the September 17, 2015 draft 2015-16 AHSC Guidelines as well as the October 15, 2015, SGC staff report, Item #7 regarding the 2015-16 AHSC updates.

The City of Los Angeles commends and acknowledges the SGC for addressing critical issues in the prior set of AHSC guidelines. The attentiveness and flexibility of responding with a comprehensive set of changes in time for the 2015-16 AHSC updates underscores a commitment to making this program reach its full potential to reduce GHG emissions through housing and transportation. The City of Los Angeles would like to express appreciation for the guideline updates by highlighting the following changes:

1. Removing the local jurisdictional cap
2. Awarding additional points for deeper affordability
3. Incentivizing the joint submittal of applications with public agencies while solidifying a housing and transit connection in projects
4. Adjusting CEQA requirements
5. Revised joint liability provision
6. Allowing AHSC to fund the preservation of at-risk affordable housing and rent stabilized housing
7. Increasing the maximum loan per restricted unit receiving 4% low-income housing tax credits to \$50,000
8. Considering a new designation for catalytic projects

The following are comments that reflect recommended changes:

Appendix A: Definitions (p) (1) “Enforceable Funding Commitments”

The City of Los Angeles has its own geographic apportionment from the California Tax Credit Allocation Committee (TCAC) and as a result has created a pipeline that manages a two-year queue of

affordable housing development projects eligible for the 9% program. Due to its direct TCAC apportionment, the HCIDLA recommends that commitment letters from jurisdictions with their own geographic apportionment be considered committed for the purposes of AHSC funding.

Recommendation: modify language to read:

Low-income housing tax credit equity contributions, (without the necessity of a tax credit reservation letter) *including commitment letters from jurisdictions with geographic apportionments...* will be considered committed in this calculation.

Policy Objectives: (g) Access to Destinations (1)

If AHSC funding is designed to reduce GHGs by investing in housing and transit infrastructure, it seems counter intuitive to require that both pedestrian and bicycle transit infrastructure pre-exist to such an advanced degree (90-100 score for full points) in order for an application to be competitive.

In addition, the City is concerned that SGC is placing a heavy reliance on a single third party website to evaluate pedestrian and bicycle accessibility. We urge the SGC to allow applicants to submit their own case studies, under newly developed guidelines, that would sufficiently demonstrate the bikeability and/or walkability of the immediate area surrounding a project if points are going to continue to be awarded to areas that already facilitate an advanced degree of both types of mobility.

The HCIDLA conducted a case study of one of its managed pipeline projects on 7th and Witmer. This potential AHSC project is located one block away from a major TOD hub to the East and one block away from a TOD to the West. This location has a walk score of 93 and a bike score of 58. There is a bike lane directly in front of the project that connects to both rail stations, creating a bike corridor that connects job rich Downtown Los Angeles to the transit dependent, low income working class neighborhood of Westlake. Based on this website, the 7th and Witmer project would only receive a total of 4 out of a possible 8 points. Our concern is that walkscore.com is not adequately reflecting the true bike ability of the area, thereby short changing the potential AHSC points awarded to this project.

If walkscore.com is correct in awarding 58 points to 7th and Witmer, it would make more sense if AHSC awarded maximum points to projects that demonstrate potential for improvement of scores, paying particular attention to projects where there is a large differential between the two scores. If a competitive project is required to score 90-100 for both walkable and bikeable scores, AHSC funding will not make the transit impact that would complement housing development to reduce GHG emissions.

Recommendation:

- Allow applicants to conduct their own case study to counter or complement Walkscore.com
- Reduce the weight of points that award requiring both bicycle and pedestrian infrastructure to be in place at the 90-100 point degree.

Geographic Distribution of Funds

The City appreciates the SGC's initial exploration of potential methodologies for geographic distribution of AHSC funds to ensure they are equitably distributed across geographies where a GHG impact is the greatest.

Recommendation:

The HCIDLA recommends that the geographic distribution of funds be apportioned in a balanced and equitable manner based on a combination of factors that take into account the prevalence of disadvantaged communities, population, poverty, urbanization, housing costs, and transportation infrastructure investment at a scale smaller than the MPO geography in order to better target GHG emission reduction.