



October 31, 2014

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327-7500

Facsimile
916.441.5507

Ken Alex, Chair
Strategic Growth Council
Sacramento, CA 95814
ahsc@sgc.ca.gov

VIA E-MAIL

RE: Affordable Housing and Sustainable Communities Program Guidelines

Dear Chairman Alex and members of the Strategic Growth Council:

On behalf of the California State Association of Counties (CSAC), I appreciate the opportunity to submit comments on the draft guidelines for the Affordable Housing and Sustainable Communities (AHSC) grant program. CSAC is the unified voice of California's 58 counties before the state and federal governments. California's counties are committed to promoting sustainability through the implementation of SB 375 sustainable communities' strategies and similar regional transportation plans in areas outside of MPOs. We are glad to see state funding specifically targeted at implementation of the concepts included in these plans. CSAC appreciates the guideline's broad eligibility for projects that counties may wish to pursue under the program, including funding for the basic public infrastructure necessary to promote infill development. Generally, CSAC encourages the Council to adopt guidelines that are as streamlined and simple as practical, which offer broad eligibility to greenhouse gas (GHG)-reducing transportation and land use projects, and which do not unnecessarily constrain the type of project that can be implemented in a specific context.

Complexity

While CSAC recognizes and supports the SGC's desire to ensure that projects funded in the first round are completed expeditiously and quickly demonstrate the program's success in reducing GHG emissions, we worry that the complexity of the guidelines and the specificity of the project requirements may limit the number and type of GHG-reducing transportation and land use projects that will be eligible for funding. We urge the Council to thoroughly review the guidelines and tend towards permissive rather than restrictive criteria unless there is a specific reason based on the program's fundamental mandate to reduce GHGs from transportation and land use. In general, we feel that there should be broad eligibility for GHG-reducing transportation and land use projects, and that GHG reductions should be a primary metric by which to compare applications.

For instance, specific numerical requirements for density and number of units for affordable housing developments may preclude otherwise worthy projects from receiving funding. As affordable developers have pointed out, it may occasionally be difficult to find sites to accommodate large scale developments in urban areas with high quality transit. Moreover, while CSAC appreciates the focus on infrastructure, requirements that any program-based funding be accompanied by an infrastructure element, and that integrated connectivity projects must include two different eligible uses seem unnecessarily restrictive. While we believe research has demonstrated that GHG-reducing benefits are maximized through

synergistic projects that combine multiple land use and transportation strategies, we feel that such projects would naturally rise to the top under a streamlined approach that considered GHG reductions as its primary metric. The prescriptive nature of the guidelines, however, may limit creative and effective projects that may not adhere to the guidelines' notions of what a successful project will look like.

Given the complexity of the program, which is inherently constrained due to several specific statutory requirements, CSAC supports the proposal to require a conceptual pre-application prior to an invitation to submit a full application. This will serve as a means to both mitigate for the complexity of the application process, and to focus technical assistance efforts on communities that have worthy projects, but which may lack the capacity to prepare a full application without additional resources and assistance.

Eligibility

CSAC appreciates that the guidelines value participation by the local government with jurisdiction over the project area as demonstrated by the requirement to submit a joint application for AHSC grant funding. Local governments by their nature must take a broad view of the priorities of the communities that they serve, and requiring their participation will ensure that high quality applications are submitted. This requirement is especially important in light the limitation of one award per project area, with a maximum award of \$15 million per funding cycle per city/county or unincorporated area.

CSAC would support less burdensome requirements for local government participation, such as letters of support rather than full co-applicant status. Under such a framework, we feel that regional agencies would be uniquely positioned to play a role in coordinating the applications from a specific area, thereby ensuring that the highest quality projects are submitted and potential geographical conflicts in light of funding limitations are minimized.

Geographic Equity

As a statewide association, CSAC is also concerned about the geographic equity of the program. When transportation fuels come under the cap and trade program, consumers in every part of the state will indirectly make financial contributions to the auction proceeds. While each area of the state may not benefit equally from every auction proceed-funded program, CSAC firmly believes that there are GHG-reducing sustainable communities' projects that can be successfully implemented in every geographic context within the state.

By precluding applications in transit-rich areas unless they are associated with a concurrent—rather than existing or planned—affordable housing development, the guidelines will limit the applicability and efficacy of the program in densely-populated unincorporated areas (e.g. East Los Angeles, or near BART stations located in or near unincorporated areas in the East Bay). Moreover, while we recognize the legitimacy of concerns about gentrification and displacement, this limitation seems superfluous given the requirement that at least 50% of the funding support must be allocated to affordable housing projects. On the other hand, CSAC is concerned that the requirement for a transit stop, although broadly defined, may hinder the applicability of the Integrated Connectivity Project component in rural areas that lack transit, but which may have small downtown corridors where projects promoting active modes could successfully reduce car trips and emissions.

We understand that the above stated limitations on project type may be intended as a way to ensure that the limited grant funding available is used to improve a broad variety of communities in the first round. We also understand that the AHSC program will be operated in an iterative way based on program performance. We hope that the Council will consider reducing or eliminating some of these restrictions in this round and in future rounds as we learn from the initial applications and projects; especially if there is a greater amount of funding is available in the future.

Focus on Gap Financing

CSAC appreciates that the Council has focused on leveraging other funding sources through robust considerations for matching funds and requirements that projects be very close to shovel-ready in order to apply for funding. While this approach will be beneficial in demonstrating the efficacy of the program in its initial round, we hope that future rounds will increase flexibility by allowing funding to be allocated to transformational projects that may need seed funding prior to pursuing other funding opportunities. Such an approach may be especially useful in pursuing innovative transportation and connectivity projects, for which dedicated funding may be especially limited.

Concerns for Transportation-Related Projects

CSAC is concerned that some of the grant requirements may disadvantage transportation infrastructure projects broadly. The guidelines include requirements that projects only receive funding if “no other source of compatible funding is reasonably available” and “costs are not eligible for funding if there is another feasible, available source of funding for the Capital Use.” We trust that this requirement will be implemented fairly, and not serve as a rationale for limiting funding allocated to transportation infrastructure projects. While there are indeed some highly-flexible sources of transportation funding, including Highway User Tax Account revenues, local governments have huge maintenance backlogs to simply maintain existing facilities in their current condition. Moreover, routine road maintenance is especially important in areas served by heavy transit buses that strain local roads and for promoting safe routes for bicyclists and other active modes. Flexible local transportation dollars will almost certainly be used to match AHSC funds for complete streets projects that support active modes and transit, but the fact that agencies cannot devote all of their flexible funding to such uses given their massive maintenance obligations should not disadvantage these projects under the AHSC guidelines.

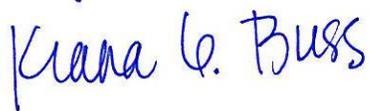
CSAC again acknowledges the program’s focus on shovel-ready projects, but also must recognize that the requirement for project to have completed NEPA and CEQA review, including the exhaustion of time periods for legal challenges, will potentially limit candidate projects to those sponsored by agencies that can afford to incur these significant upfront costs. This may be an especially important consideration for small, rural, and/or disadvantaged communities.

Finally, CSAC is concerned with language that requires projects that need approval by a local public works department, or other responsible local agency must include a statement from that department indicating that the Infrastructure Project is consistent with all applicable local rules, regulations, codes, policies and plans enforced or implemented by that department. While the requirement is clearly intended to prevent cost-overruns or inconsistent projects from applying, lead agencies are concerned that public agencies may be unwilling to sign such as statement before there has been final design of the

infrastructure to be built. A commitment to review and ensure that the finished project will be consistent with applicable standards might be more manageable, as well as consistent with typical infrastructure grant assurance language.

Thank you for the opportunity to submit these comments. Please do not hesitate to contact me via email at kbuss@counties.org or by phone at 916-327-7500 ext. 527 should you have any questions about CSAC's comments.

Sincerely,

A handwritten signature in blue ink that reads "Kiana G. Buss". The signature is written in a cursive, slightly slanted style.

Kiana Buss
Legislative Representative