

MEMO

To: Housing Methodology Committee (HMC)
From: Association of Bay Area Governments (ABAG) Staff
Date: March 19, 2007
Subject: State and Regional Housing Incentives

Background

To support housing development, the regional agencies (“region”) are working to develop an incentive package, for both planning and capital improvements. These funds would be prioritized to go to regionally adopted, and locally agreed to, “priority development areas.” The largest source of funds currently being explored are recently approved state bond monies and the region’s discretionary transportation dollars - distributed throughout the region by the Metropolitan Transportation Commission. The region is also exploring technical/outreach assistance as an incentive to local governments.

Regional Priority Areas

ABAG is currently leading a multi-agency regional planning effort with the Metropolitan Transportation Commission (MTC) and the Air District (BAAQMD), called FOCUS, to identify both development and conservation “priority” areas. The goal is to promote growth in existing communities, near transit and job centers, and to support conservation of key natural resource areas—the same objectives that were incorporated into the Regional Housing Needs Allocation (RHNA) methodology.

Once priority areas are defined, financial incentives, capital and planning grants and additional outreach and technical assistance will be directed to them. This is consistent with the directive adopted as part of the RHNA methodology - to direct state and regional incentives to those jurisdictions that will receive large RHNA allocations.

The notion of “priority” areas is also crucial, for it is imperative that any available incentive monies be used to set examples and achieve real results. With limited state and regional funds, it will be impossible to support all good projects. Therefore, the regional agencies believe that incentives will be most beneficial if incentives are directed to outstanding example priority development areas in willing jurisdictions with transit infrastructure and a plan or a willingness to plan for housing development in mixed-use, infill areas.

Applying for Priority Area Designation

All local jurisdictions in the Bay Area will have the opportunity to apply for a priority area designations. Some minimum criteria will exist to establish a threshold that applicants must meet for eligibility, including that a proposed priority development area is within an existing community, near existing or planned fixed transit or comparable bus service, and is an area that is being planned or is planned for more housing.

Application packets and associated criteria should be available in late April. Submissions will be reviewed from July – September, with regional adoption occurring in October.

State Bond Monies

Recent voter-approved state bond measures, including Propositions 1-B, 1-C, 1-D, 1-E and 84 provide an opportunity to financially support development consistent with local and regional priorities. The region is advocating an approach to distribution of the state bond monies that would align bond funds with local and regional priorities. Development in these areas support common state, regional and local objectives: to promote compact, infill development that supports and revitalize existing communities, maximize transportation efficiency, and conserves land resources. We believe that where regional planning and local work has been done; the state should acknowledge and reward that effort.

The specific bond monies that have the potential to be aligned with regional and local priorities include:

Source	Account	State	Region est.
Prop 1C	Regional Planning, Housing and Infill Incentives	\$850M	\$141.4M
Prop 1C	Transit-oriented Development	\$300M	NA
Prop 1C	Housing-related Parks	\$200M	\$33.3M
Prop 84	Urban Greening	\$90M	\$15.0M
Prop 84	Urban Forestry	\$20M	\$3.3M
Prop 84	Local and Regional Parks	\$400M	\$66.5M
Prop 84	Planning Grants and Loans	\$90M	\$15.0M
	TOTAL	\$1,950M	\$274.5M

Transit Oriented Development Account

All of the above accounts, except the Transit-Oriented Development account, require trailer legislation to determine how funds will be distributed around the state. The Transit-Oriented Development Program is to be administered by the Department of Housing and Community Development. The purpose of TOD program is to provide local assistance for the development of housing near transit. The program will offer \$285 million in loans and grants to cities, counties, transit agencies and developers. The minimum state mandated project selection criteria are that projects increase transit ridership, reduce auto trips, and that the projected be located in infill areas, as determined by the Councils of Government (ABAG in the Bay Area). This provides an opportunity for the region to ensure that these areas are consistent with regional priority development areas.

Proposition 1-B

Where there is discretion with Proposition 1-B funds, MTC staff is working to allocate a portion of these funds in accordance with regional priorities, particularly to those areas that will be receiving a higher RHNA allocation over the last cycle. The Population-Based Transit account, with \$347 million assigned to it, is an example of where some discretion is allowed. On March 7th, MTC staff made a proposal to its Programming and Allocations Committee to distribute a portion of these funds to those jurisdiction receiving relatively greater RHNA shares. For example, MTC is proposing that \$100,000 go toward the San Francisco MUNI project to build a subway through Chinatown.

Discretionary Regional Transportation Dollars

The Metropolitan Transportation Commission has recently begun an update of the Regional Transportation Plan. MTC staff is working with ABAG staff and the Joint Policy Committee priority development areas. Discretionary funds available for the 2009 plan total between \$5 - 6 billion. How these funds might be reprogrammed and/or prioritized to align with priority development areas will be a primary consideration as the RTP update process proceeds. In addition to the RTP, MTC will be considering how the Transportation for Livable Communities (TLC) and Housing Incentive Programs (HIP) might be redirected at least in part, toward Priority Development Areas.

Account	State
TLC/HIP Grants	\$500M
TOD Policy	\$1- 2B
Transit Shortfalls	\$1.3B
Local Road Shortfalls	\$1B
Lifeline	\$1B
Regional Bike & Ped Improvements	\$200M
TOTAL	\$5-6B

Technical/Outreach Assistance

In addition to direct financial assistance, the region is exploring ways to offer technical and outreach assistance to local governments, such as photo simulation and a best practices conference and report series. Photo simulations visually demonstrate "before" and "after" renditions for development. This visual tool can be a powerful means to convey how new development may improve the physical character, form, and aesthetics of an existing community. Transit improvements, densities, building facades, streetscape improvements and other pedestrian improvements can be integrated with existing conditions providing the public with an opportunity to see potential, positive changes to their neighborhood.

As successful planning and development examples emerge in the region, regional agencies plan to share these examples, or "best practices," with local governments. The region hopes to provide opportunities for cities to convene and share success stories related to overcoming challenges to infill, pedestrian, and transit-oriented development. This could provide local governments with the necessary tools for performing outreach, development financing, land assembly, and other specific project-level tasks.

Other technical and outreach assistance tools are also being discussed, such as a region and/or state wide public information campaign on the benefits of housing development near transit. Staff looks forward to hearing additional ideas from the HMC members on these, and other ideas, as presented in this report.