



Ken Alex, Chair  
Mike McCoy, Executive Director  
Strategic Growth Council  
1400 Tenth Street  
Sacramento, CA 95814

RE: Draft Guidelines for the Affordable Housing and Sustainable Communities Program

Dear Chair Alex and Director McCoy:

I write to you as a representative of the extensive nonprofit housing development community that spans California and is eager to be an active partner in achieving the goals of the Affordable Housing and Sustainable Communities Program. We crafted the comments below and attached after extensive discussions with more than 150 members of our community in the Central Valley, Bay Area, Inland Empire, Los Angeles area, and San Diego.

We set as our goal a program attracting highly-impactful projects that improve our environment, the physical and social fabric of our communities, and the lives of lower income Californians. Attached is a matrix reflecting our suggestions to achieve this, listed by section of the guidelines. In addition, we would like to highlight the following **priority recommendations**:

I. Eliminate the 100-unit minimum for housing developments  
(Section 103(a)(1)(D)(i), pg 11)

The appearance of this requirement surprised many of us who had worked to modify the minimum unit requirement in the Transit-Oriented Development Housing Program to 40 units in order to reflect site availability in communities around the state. Properly-zoned parcels near transit that will accommodate 100 homes are scarce. This situation is likely to get worse as cities and counties no longer have redevelopment's tools to assemble multiple small parcels into larger ones.

For example, only one of 20 San Diego developments currently in the pipeline meets the 100-unit threshold, according to an informal survey of developers. In Los Angeles, neighborhoods like Boyle Heights can only accommodate new developments of less than 50 units, but provide great GHG reduction opportunities.

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Additionally, building below-market-rate homes requires funding from multiple sources, including the local jurisdiction. Securing sufficient funding for developments of 100 homes or more will be hard to do, especially without the \$1.2 billion that housing development received annually from redevelopment.

The only rationale offered for the 100-unit minimum is that these large developments might reduce more GHG per dollar invested than those with fewer units. However, this supposition has not been supported by any data. The transit, walking, biking and green infrastructure components of a proposal and the existing neighborhood characteristics may have an equally-large impact on a proposal's overall GHG reductions. For example, a 60-unit proposed development affordable to very low income households located within ¼ mile of a transit hub and near multiple schools and employment centers may yield more reductions than a 120-unit proposed development affordable primarily to upper-income households located within ½ mile of a major transit stop. The first project, however, would not even be allowed to compete if the 100-unit minimum remains.

If project size proves to have a direct correlation to GHG reduction per dollar spent, larger projects will score more points in the GHG-reduction category, giving them a competitive advantage. If that's not the case, the minimum size requirement would unnecessarily exclude smaller developments that could score well in the GHG reduction category and meet other important program goals, e.g. the state planning priorities of directing growth to infill and TOD sites.

To summarize, at best the minimum project size is redundant, bringing no qualitative value that isn't already reflected in other criteria; at worst, it will work against the program's goals and the state's planning priorities.

2. Provide significant opportunities for households at the lowest income levels to benefit from this program, increasing their mobility and reducing their transportation and housing costs.

The program's governing statute sets an upper income limit of 80% of area median income for residents of proposed housing developments, but does not address the substantial differences between what a household earning 80% AMI and one earning 30% AMI can afford. (In Sacramento, 30% AMI is \$16,754, while 80% AMI is \$44,677.) Half of 30% AMI households have disabilities or are seniors struggling to afford life's basic necessities and would greatly benefit from the increased mobility offered by living near transit.

To ensure the money dedicated for housing meets a broader range of needs, we recommend requiring at least 10 percent of the homes in proposed housing developments to be affordable to households at or below 30% AMI (“extremely low income” under state law). This could be added to Section 103(a)(1)(D).

In addition, we recommend keeping the total points available under Section 107(m) - housing affordability – high, in order to challenge applicants to achieve the deepest possible affordability.

These changes will spread the program’s benefits more widely across the income spectrum, addressing the needs of people earning poverty-level wages. It will increase the impact on disadvantaged communities, where most residents earn well-below 80% of AMI. And it will fund a proven approach to preventing homelessness among extremely low income households, a high priority in places like Los Angeles, San Francisco, and Sacramento.

3. Increase the value of the Community Orientation category and weigh the three categories equally.

AB 32 prioritizes co-benefits and SB 862 lists “preserving and developing affordable housing for lower income households” as an explicit goal, along with achieving other co-benefits. Additionally, deeper housing affordability results in higher transit usage and reduced car ownership<sup>1</sup>. These translate to saving valuable land and reducing VMT. Yet, the proposed relative weights of the three scoring categories severely devalues these attributes in project selection, as they would account for only 15 to 20 percent of the total score.

We also note that many of the scoring criterion in the most heavily-weighted category – Connectivity and Improved Access - are included because they are predictive of GHG reductions. As such, they are duplicative of the “GHG Based Score” that will be assigned to each project outside of these three categories.

To better reflect the full range of statutory goals, we recommend an equal weighting of all three categories.

4. Give metropolitan planning organizations (MPOs) a substantial role short of filtering applications

As the agencies charged with developing Sustainable Communities Strategies, MPOs are clearly in the best position to judge projects’ consistency with their SCS. We urge you to maintain the

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<sup>1</sup> “Why Creating and Preserving Affordable Homes Near Transit is a Highly Effective Climate Protection Strategy”  
<http://www.chpc.net/dnld/AffordableTODResearchUpdate070114.pdf>

proposed requirement for all applications to submit an SCS consistency letter from the MPO. We also support MPOs providing input to the state review team during the project scoring phase where the agency possesses modeling expertise that can inform the state's evaluation of projects' GHG impacts, co-benefits, or other scoring criteria.

We would, however, have major concerns about requiring applicants to undergo two separate review and scoring processes, i.e. allowing MPOs to screen applications. We believe the awards should be strictly merit-based and reflect projects' performance on the scoring criteria. Most MPOs don't have sufficient expertise to evaluate key scoring criteria such as housing developments' financial feasibility, developer experience, and green infrastructure. Filtering of projects by MPOs also subjects their selection to political considerations that are largely absent in the state scoring process. Lastly, MPO screening would add months to the review period and increase applicants' holding and staff costs.

We believe MPOs should be invited to provide expertise-based input during the state review process without jeopardizing merit-based decisions or adding time and cost to what will already be a complex application.

5. Modify the requirement for cities and counties to be joint applicants

Where the locality carries direct responsibility for implementing a piece of the application, we agree it should be a joint applicant. Outside of this situation, developers are concerned the requirement may serve as an unnecessary barrier to high-quality applications reaching the state, especially in smaller cities and those that lost significant planning staff capacity when redevelopment agencies dissolved. The requirement for joint liability for completing all aspects of the application makes it even less likely that cities and counties with limited capacity will agree to participate. We urge you to consider that a locality's granting of entitlements indicates support and could suffice for the purposes of this program.

6. Strengthen the anti-displacement provisions to reduce GHG emissions and reflect current best practices

Households most vulnerable to displacement are also the highest-propensity transit riders. Protecting their ability to continue living in their neighborhood after transit system upgrades, then, both reduces GHG emissions and air pollution and spreads the benefits of the program's investments more broadly.

We are concerned about two types of displacement shown to occur with large-scale public infrastructure investment<sup>2</sup>: physical, where a residential building is demolished or emptied out for rehabilitation, and economic, where investments lead to rising property values and increased rents beyond what's affordable to current residents.

A recent example of physical displacement that upended residents' lives and had negative environmental consequences occurred in Garden Grove. Developers of a new water park and hotel tore down 170 mobilehomes. The residents with jobs in the area were forced to move away; even with relocation assistance, they couldn't afford to rent locally.

We greatly appreciate your inclusion of physical anti-displacement strategies - "no net loss" and relocation assistance - in sections 106 (a) and 107(o), signaling that protecting local residents is important to you. To build on our mutual goal and reflect current best practices, we suggest you apply physical and economic displacement protections as a *threshold* requirement for *all* projects. The following changes would accomplish this:

Replace section 106(a)(11)(D) on page 27 with the following language under section 106(a) (which describes the application threshold requirements):

- (14) "Where a proposed Project involves the demolition or rehabilitation of existing units occupied by lower-income households, the proposed Project will provide relocation assistance and timely one-for-one replacement with comparably-sized units, located within ½ mile, affordable to the displaced households, and including a first right of return for those households."
- (15) The proposed Project is located in a jurisdiction that has a policy or policies that prevent economic displacement of lower-income residents. Examples of policies include but are not limited to: anti-harassment policies, condominium conversion restrictions, rent stabilization, just cause eviction, and land banking. This requirement shall apply beginning in the second round of funding, in place of the points given in section 107(o) in the first round.

Note: The Department recognizes that not all Projects will be located in neighborhoods where lower-income residents face current or future risk of displacement. Applicants seeking a waiver of this requirement may provide evidence for Department review demonstrating that there is no displacement

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<sup>2</sup> See *Development without Displacement, Development with Diversity* (Association of Bay Area Governments, 2009), available at <http://www.bayareavision.org/initiatives/dwdfinal.pdf>

risk for the next ten years in the areas surrounding the Project or as a result of the Project.”<sup>3</sup>

This modification corrects what we see as a number of flaws in the draft guidelines. First, the “no-net-loss” provision in section 106(a)(1)(D) applies only to housing developments. But large-scale transportation investments are as likely to cause displacement, because they attract to the area new residents willing to pay higher rents. Therefore, we believe the “no-net-loss provision” should apply to all applicants.

Second, the scoring criterion in 107(o)(1) applies only to projects located in or near disadvantaged communities. However, lower-income residents of high-cost urban areas may be at the most risk of displacement from rising rents. Additionally, Section 107(o)(1) is actually weaker than required by the ARB guidance.

Third, anti-displacement strategies should go beyond physical displacement approaches - project-specific relocation assistance and replacement - to include locality-wide policies that prevent economic displacement. Economic displacement is very challenging to address on a project-by-project basis, as it generally doesn’t manifest for at least a few years. Attachment #2 includes examples of cities that have adopted a wide range of these policies, including rent stabilization, just cause eviction, and restrictions on conversion of apartments to condominiums.

Our recommended language will ensure that projects funded by the AHSC program provide benefits to existing residents rather than result in their displacement. Happily, this outcome is good for both the environment and current lower-income residents.

Thank you for considering our perspective. Please contact me at the number below if we can provide additional information.

Sincerely,

Julie M. Snyder  
Policy Director  
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<sup>3</sup> The Metropolitan Transportation Commission and others have developed measurements of displacement risk. We would be happy to share these with you and discuss how they could apply to this program.

cc: Members of the Strategic Growth Council  
Assembly Speaker Toni Atkins  
Senate President pro Tem Kevin de León  
Assemblymember Raul Bocanegra  
Assemblymember Ed Chau  
Senator Mark DeSaulnier  
Allison Joe, Deputy Director, Strategic Growth Council  
Susan Riggs, Deputy Secretary, Business, Consumer Services and Housing Agency  
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Julie Alvis, Deputy Assistant Secretary, Natural Resources Agency  
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Martha Guzman-Aceves, Deputy Secretary for Legislation, Governor's Office  
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