

Affordable Housing & Sustainable Communities Program Update ***September 2019***

On June 21, the California Strategic Growth Council (SGC) announced the results of Round 4 of the Affordable Housing and Sustainable Communities (AHSC) program, awarding \$402 million to 25 greenhouse gas (GHG) reducing affordable housing developments across California.¹ These developments will create more than 2,500 new affordable homes for low-income Californians and infrastructure that will increase transit ridership, decrease local exposure to harmful pollution, and help the State meet its GHG reduction goals. As the SGC seeks input into the [program's draft guidelines for Round 5](#), the California Housing Partnership is pleased to share our insights from the Round 4 AHSC awards.



Rolland Curtis, Los Angeles; Courtesy of Abode Communities

ROUND 4 DEVELOPMENTS OUTSHINED PREVIOUS AWARDS

The latest round of AHSC awards marks an important milestone for the program – more than \$1 billion invested in 100 AHSC developments. It also reveals important trends: between Rounds 3 and 4, the median estimated greenhouse gas emission reduction increased by 43% – from 13,607 to 19,470 metric tons of CO₂ (see Table 1) and each dollar of AHSC funds helped reduce 10% more GHGs than in Round 3. These improvements are largely due to Round 4's strong affordable housing components and awardees incorporating transportation infrastructure and amenities with more GHG reduction potential than in previous rounds.

TABLE 1: Greenhouse Gas Emission Reductions (MT CO₂e)

	ROUND 2	ROUND 3	ROUND 4*
Total GHG Reduction (All Developments)	356,794	478,921	554,902
Median GHG Reduction (per Development)	13,421	13,607 (+1%)	19,470 (+43%)
Median GHG Reduction / \$1,000 of AHSC Funding	1.09	1.13 (+3%)	1.24 (+10%)

**Between Rounds 3 and 4, the California Air Resources Board updated the [quantitative methodology](#) to include GHG emission reduction estimates from solar PV electricity generation. This additional source of GHG reductions represented 5% of total GHG emission reductions.*

It is ironic that the SGC would propose decreasing the amount of points awarded for GHG reductions at a time when the program is achieving its stated GHG-reduction goals so well. The Partnership strongly opposes this

¹ AHSC is part of [California Climate Investments](#), a statewide initiative that puts billions of Cap-and-Trade auction revenue dollars to work reducing greenhouse gas emissions, strengthening the economy, and improving public health and the environment – particularly in disadvantaged communities.

change and instead urges the SGC, as we recommended last year, to increase the share of funding to Integrated Connectivity Projects (ICPs) by reducing the 20% discretionary funding to 10% and increasing the ICP share from 35% to 45%.

A SMALLER SHARE OF TOTAL AHSC FUNDS WERE AWARDED FOR CREATING AFFORDABLE HOMES

Unfortunately, Round 4 also provides evidence that prior changes to the program Guidelines have reduced the share of AHSC awards for affordable housing at a time when the need to invest in the former has never been greater. The share of AHSC awards allocated to creating new affordable homes – defined in the program as Affordable Housing Developments (AHD) and Housing Related Infrastructure (HRI) – decreased from 80% in Round 2 to 70% in Round 3 to 65% in Round 4. Meanwhile, the share of AHSC awards allocated to new transportation infrastructure – defined as Sustainable Transit Infrastructure (STI) and Transportation-Related Amenities (TRA)— increased from 19% in Round 2 to 28% in Round 3 to 34% in Round 4 (see Table 2).

TABLE 2: Total Share of AHSC Award, by Funding Category and Round

	ROUND 2	ROUND 3	ROUND 4
Housing (AHD+HRI)	80%	70%	65%
Transportation (STI+TRA)	19%	28%	34%
Program	1%	2%	1%

AHSC is an integrated program whose strength lies in delivering a comprehensive set of benefits to both residents and surrounding communities. However, the continued erosion of the share of AHSC awards allocated to affordable housing threatens to weaken the program’s critical function of providing gap financing for affordable housing near transit, without which these developments would never get built. For this reason, the Round 5 Guidelines should implement changes to reverse or at least end this trend to ensure – in the SGC’s own words – that “AHSC remains a housing first program.”²

The Partnership supports increasing the maximum award from \$20 million to \$30 million and imposing the transportation funding cap in the Round 5 Draft Guidelines – both of which could have the effect of increasing the share of AHSC awards allocated to affordable housing and reversing the above trend.³ However, this change may not prevent the share of funds allocated to housing from further dropping closer to 60% since applicants will still be incentivized to prioritize transportation projects that the AHSC Quantitative Methodology and GHG point system score favorably. The funding of the Railyards project in Round 4 without any AHSC-funded affordable housing development (AHD) was in our view an abuse of the intent of the program. In the event that there is any uncertainty that the new 40% cap on transportation investments will prevent a reoccurrence, we urge the SGC to require that all applicants include a Housing component of no less than 50%, which is the statutory minimum for the program.

Another reason the Partnership also supports the proposed maximum award increase from \$20 million to \$30 million is because it aligns AHSC award amounts with per-award caps of the Multifamily Housing Program and therefore eliminates the incentive for applicants to apply to MHP instead of AHSC. However, it is critical that the SGC also adjust the per-unit loan limits to match those of other HCD programs.

We are still completing our evaluation of the proposed [Round 5 Guideline](#) changes and urge all stakeholders to carefully review them and submit comments to the SGC by email to AHSC@sgc.ca.gov by September 30, 2019.

² See the [AHSC Draft Round 5 Guidelines: Summary of Changes](#) released by the SGC on August 30, 2019.

³ Round 5 draft guidelines propose capping transportation funding requests at the lesser of 40% of the total AHSC funds request or \$10M

To learn more about the Affordable Housing and Sustainable Communities program, [click here](#). For more information about this analysis, please contact [Lindsay Rosenfeld](#), Data & Policy Analyst.