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Programming and Allocation Committee
Metropolitan Transportation Commission
Joseph P. Bort MetroCenter
Lawrence D. Dahms Auditorium
101 Eighth Street, Oakland

Subject: OneBayArea Grant program – Round Two Framework

Dear Chair Wiener and Commissioners:

Thank you for the opportunity to comment on the proposed framework for the second round of the OneBayArea grant program. We applaud MTC's leadership in establishing the OneBayArea grant program to provide funding to jurisdictions that are planning for more homes and jobs near transit in Priority Development Areas and to rural areas that are taking steps to preserve natural and agricultural lands.

The Bay Area is expected to grow significantly over the next two decades. The biggest question is how that growth will impact the region's ability to create and sustain good jobs. Employers consistently report that the two biggest barriers to creating more jobs in the Bay Area are traffic and a lack of affordable housing¹. These two problems could become much worse if each county is not deliberate about how it grows.

The region's current housing affordability crisis has intensified this challenge. Between 2010 and 2014, average monthly rent in the Bay Area increased by 38 percent; in Santa Clara County the average rent increased 44 percent². Without greater action to increase housing options near transit, high housing costs could stall the ability to attract and retain the workforce that drives our economy. This will also increase the pressure for sprawl, siphoning transportation resources away from existing communities and paving over groundwater recharge lands with water-intensive development in the middle of a multi-year drought.

Because every county is affected by the choices we make in response to these challenges, we have a responsibility to work together to ensure that the region remains a great place to live and work. While every community has a role to play in preserving and growing our region's economic advantages, in some places the stakes are much higher. The region is depending on the Priority Development Areas to accommodate more than two-thirds of all growth in the next two decades. If those places can grow smartly, they will provide a bulwark against more traffic and help sustain their county's overall job market. And if they fail, everyone will suffer.

¹ See Silicon Valley Leadership Group's *2015 CEO Business Climate Survey*

² See The Association of Bay Area Government's *State of the Region 2015*

The best way to grow good jobs without creating gridlock is to make smart investments in places that have the biggest role to play in managing the impacts of future growth. By directing additional resources to key places and helping them to grow responsibly, every county will benefit from easier commutes and a stronger job market.

The adoption of the OneBayArea grant (OBAG) program in 2012 was an important step toward achieving these goals. For example, it guided millions of transportation dollars to support PDAs and incentivized jurisdictions around the region to update their local Housing Elements.

Both advocates and MTC commissioners also recognized at that time the program was adopted, that it would need to be refined in subsequent rounds to ensure it was best positioned to advance the goals of Plan Bay Area. For example, the commissioners called for future rounds of funding to include “a menu of neighborhood stabilization and anti-displacement policies” and to “link OBAG funding to jurisdiction-level approval of affordable housing planning, production, acquisition and rehabilitation.”³ They also called for adjustments to the county funding distribution formula:

“The Commission, working with ABAG, will revisit the funding distribution formula for the next cycle (post FY2015-16) to further evaluate how to best incentivize housing production across all income levels and other Plan Bay Area performance objectives.” (Resolution 4035, Attachment A, Page 3)

In reviewing the OBAG 2 framework, we are pleased to see that several minor improvements are proposed and that the best features of the OBAG 1 program are retained.

We are **glad to see** that the OBAG 2 framework:

1. Adjusts the county funding distribution formula slightly to more strongly reward those parts of the region with a track record of producing homes for residents at a range of incomes.
2. Increases funding for the PCA grant program, which incentivizes rural areas to protect natural and agricultural lands.
3. Maintains MTC’s nationally-recognized PDA planning and implementation grant program, which catalyzes sustainable, equitable development near transit.

To ensure that the OBAG program is best positioned for success, we recommend that the **OBAG 2 framework be improved** as follows:

1. Refine the guidelines for the County CMA program to cultivate stronger performance-based ties between local land use decisions and transportation investments.
2. Increase funding for the PCA grant program to \$20 million and refine the grant rules to ensure all grants achieve regionally-significant conservation outcomes in support of the PCAs.
3. Retain MTC’s role in administering the regional PDA Planning and Implementation program.

Below, we provide more detailed recommendations on these proposed improvements.

³ Plan Bay Area 2013, Page 122.

County CMA grant program

This program has provided considerable benefit by making efficient use of limited transportation funding to link land use and transportation decisions. The staff recommendation to adjust the county funding distribution formula in OBAG 2 to more strongly reward counties with a track record of housing development is a step toward refining the program and *more should be done to adjust this formula* to reward infill housing production. Yet today most decisions about growth occur at the local level, and the program could do substantially more to reward those local jurisdictions with a track record of planning for and producing sustainable, equitable development in support of Plan Bay Area. In addition, the County Congestion Management Agencies (CMAs) would benefit from additional support and guidance from MTC and ABAG to better integrate smart land use planning into their decisionmaking.

To maximize its effectiveness, the County CMA grant program should be improved in four ways:

1. *Strengthen ties between local production of infill homes for a range of incomes and OBAG grant funds.*

In OBAG Cycle 1, housing production was a factor in the distribution of funds to each county, but in most counties there was no link between OBAG funding decisions and local housing production. In OBAG 2, grant funds should be directed to the particular PDAs that are taking on the most growth, and should reward those jurisdictions that have the strongest record of providing infill housing, particularly affordable housing. Strengthening this link is vital for the OBAG program to be an effective incentive for local action.

2. *Ensure that all local jurisdictions that receive funding have affordable housing and anti-displacement policies in place; prioritize funding to the best performing jurisdictions.*

As part of the performance-based focus of the OBAG program, jurisdictions should be rewarded with funding if they have established policies to help ensure housing is available to meet the needs of residents across the income spectrum. Because the appropriate policies will vary between jurisdictions, MTC should provide a menu of policy options and establish a minimum threshold of policies from that menu. This helps carry out the commitment made in Plan Bay Area to include local affordable housing and anti-displacement policies in future OBAG funding decisions⁴.

3. *Require annual Housing Element progress report hearings.*

All OBAG recipient jurisdictions should be required to hold an annual public informational hearing at the time they file their Housing Element Annual Progress Report (APR) with the California Department of Housing and Community Development (HCD). This will help ensure consistent Housing Element implementation and highlight opportunities for additional support from MTC and ABAG to address common implementation challenges.

⁴ Plan Bay Area 2013, Page 122.

4. *Enhance the effectiveness of the PDA Investment & Growth Strategies*

The PDA Investment & Growth Strategies would benefit substantially from additional guidance from MTC on key content areas such as assessment of affordable housing production, displacement risk, and jobs. Additional guidance should also be provided on how to integrate the PDA Investment & Growth Strategies into CMA project selection and countywide transportation plan updates. MTC and ABAG should also provide technical support to help these documents be as effective as possible.

Land Conservation Grants

We strongly support the renewal of Priority Conservation Area (PCA) grant program to support strategic land conservation activities. Using transportation funding to support land conservation makes sense. Far-flung development -- usually on open space and farmland -- means more spending on transportation infrastructure and more greenhouse gas emissions from driving. Development will continue to occur in these areas unless effective land conservation measures are in place. Therefore it's essential that the region invest in land conservation programs in order to meet our transportation funding and GHG goals.

To maximize effectiveness, the PCA program should be improved in four ways:

1. *Increase the budget for the PCA grant program to \$20 million.*

The inaugural PCA grant program contained \$10 million, making up just over 1% of the entire OBAG program. Yet, this is the only portion of the overall OBAG program that specifically assists rural communities in their land conservation efforts. The program was a strong success with marquee projects such as the protection of the Suscol Creek Headwaters Preserve in Napa County. An increased level of funding in the second round will show MTC's commitment to fairly serve the rural communities in the Bay Area and support the goals of Plan Bay Area. We are committed to working with MTC to identify and secure other funds for the PCA program in order to effectively leverage these grant dollars.

2. *Standardize minimum requirements and metrics for PCA grants.*

The initial PCA grant program led to the development of multiple sets of guidelines to select and evaluate projects. The California State Coastal Conservancy developed guidelines for managing the PCA grant program for the counties of Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara. Each of the four northern counties developed different guidelines that vary widely. In order to ensure that all future funds are spent to further the goals of the PCA program and achieve regionally significant conservation outcomes, we recommend that one set of guidelines be adopted as a baseline. In order to meet the specific needs of a community, local governments in the four northern counties can add further guidelines and metrics.

3. *Adjust the matching ratio requirement.*

Achieving the original funding match ratio of 3:1 has proven to be a challenge for many potential projects. Adjusting the ratio to 2:1, as proposed by MTC staff, would significantly improve the quality and quantity of applications, and ultimately lead to this regional program better accomplishing its goals.

4. *Ease the barrier of requiring applicants to have a Caltrans master agreement.*

Currently, a number of potential applicants lack the requisite master agreement. The process to secure this agreement is quite complicated. We encourage MTC to investigate ways to provide assistance and foster collaboration with applicants and other partners. We look forward to helping in this effort.

PDA planning and implementation grant program

MTC's PDA planning and implementation grant program leverages best practices from across the country to catalyze sustainable, equitable development near transit across the Bay Area. The program has a strong record of success and deserves to be maintained or increased in funding.

MTC and ABAG are best positioned to help administer this nationally-recognized program. They bring a deep understanding of regional goals and policies, coupled with the local experience gained from supporting and fostering multi-year PDA planning efforts in all nine counties. This background provides many benefits. For example, MTC has been able to tailor its PDA planning grant guidelines to ensure local planning processes better address housing affordability. They have also established a bench of consultants that are well suited to support cities in tackling the most common PDA planning and implementation challenges. MTC's program should be retained and continually refined so that it remains the region's best resource to help achieve the Plan Bay Area vision of development near transit that benefits residents across the income spectrum.

Thank you for your consideration of these comments. We look forward to working with MTC commissioners, regional agency staff, and other stakeholders in the months ahead to finalize the OBAG 2 framework.

Sincerely,



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