

Date: October 24, 2018  
W.I.: 1511  
Referred by: PAC  
Revised: 10/23/19-C  
12/20/23-C

ABSTRACT

Resolution No. 4348, Revised

This resolution approves the framework and qualifying criteria of the Housing Incentive Pool, an incentive program to reward San Francisco Bay Area local jurisdictions that produce or preserve the most affordable housing.

Attachment A of this resolution was revised on October 23, 2019 to include eligibility and programming guidelines for the \$5 million Sub-HIP pilot set-aside from the Housing Incentive Pool.

Attachment A of this resolution was revised on December 20, 2023 to further define the eligibility and programming guidelines for the \$71 million Housing Incentive Pool.

Further discussion of this action is contained in the MTC Programming and Allocations Summary Sheets dated October 10, 2018, October 9, 2019, and December 13, 2023.

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RE: Housing Incentive Pool Framework and Qualifying Criteria

METROPOLITAN TRANSPORTATION COMMISSION  
RESOLUTION NO. 4348

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area pursuant to Government Code Section 66500 *et seq.*; and

WHEREAS, the availability of affordable housing in the San Francisco Bay Area has been highlighted as a regional issue in Plan Bay Area 2040 and other plans; and

WHEREAS, pursuant to MTC Resolution 4308, MTC has developed a framework and criteria for the distribution of funds to incentivize desired housing outcomes across the region; now, therefore, be it

RESOLVED, that MTC approves the Housing Incentive Pool (HIP) framework and qualifying criteria as set forth in Attachment A to this resolution, attached hereto and incorporated by reference; and, be it further

RESOLVED, that MTC may allocate funds to local agencies per the approved HIP framework and criteria as set forth in Attachment A to this resolution; and be it further

RESOLVED, that agencies receiving funds allocated by MTC per this resolution must adhere to any and all conditions, guidelines, and eligibility requirements prescribed by the type of funding received.

METROPOLITAN TRANSPORTATION COMMISSION



Jake Mackenzie, Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a regular meeting of the Commission held in San Francisco, California, on October 24, 2018.

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Attachment A  
Resolution No. 4348  
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## Housing Incentive Pool Framework and Qualifying Criteria

This framework and qualifying criteria guide the distribution of funding for the Housing Incentive Pool (HIP), a funding program intended to provide incentive for the building and preservation of affordable housing units by local jurisdictions in the San Francisco Bay Area.

### HIP Eligible Time Period:

The eligible time period for the production or preservation of housing units that meet the qualifying criteria listed below is calendar years 2018 through 2022.

HIP grants will only be distributed after the fifth year of the eligible time period.

### HIP Housing Unit Qualifying Criteria:

1. Total HIP units = new built units + preserved units;
2. New or preserved units must be affordable to households at the very low-, low- and moderate-income levels;
3. New and preserved units must be located in Priority Development Areas (PDAs) or in Transit Priority Areas (TPAs) to qualify for the incentive;
4. Preserved units must be either:
  - a. Multi-family units that receive governmental assistance consistent with the funding sources in Government Code Section 65863.10(a)(3) that are identified as “very-high risk” or “high risk” of converting to market-rate rents by the California Housing Partnership Corporation (CHPC) or,
  - b. The acquisition/preservation of existing unrestricted multi-family affordable housing units upon which restrictions are newly placed;
5. A preserved unit that has deed restrictions for at least 55 years will be counted as one HIP unit. Units with deed restrictions for a shorter duration will receive a pro-rated share of one unit based on the 55-year standard;
6. All new units must be deed restricted;
7. To be eligible for the HIP program, jurisdictions must be compliant with state housing laws related to Surplus Lands, Accessory Dwelling Units, Density Bonuses, and Housing Element by the end of December, 2024 2022. Compliance with the Housing Element will be determined by the California Department of Housing and Community Development. Jurisdictions must certify by council or board resolution that they are compliant with the other three laws.

### Funding Distribution:

Five million dollars will be set aside from funds available for the HIP to pilot a competitive program to help finance eligible infrastructure that will support affordable housing projects in Priority Development Areas and Transit Priority Areas. The County Transportation Agencies (CTAs) will work with cities and developers to identify candidate projects. MTC/ABAG staff will develop guidelines for this pilot program;

Remaining HIP funds will be distributed to the 15 jurisdictions with the greatest number of total HIP units within the eligible time period. Funds will be distributed among the top 15 jurisdictions on a per unit basis. MTC/ABAG staff will alert CTAs of grant awards to jurisdictions in their counties and encourage jurisdictions to coordinate with their respective CTA on projects to receive HIP funds.

### **HIP \$5 Million Set-Aside Eligibility and Programming Guidelines**

The following framework will guide the distribution of the \$5 million set-aside from the HIP program. The set-aside is intended to help finance eligible infrastructure that will support affordable housing projects in Priority Development Areas (PDAs) and Transit Priority Areas (TPAs).

#### **Funding Distribution:**

1. Funds will be apportioned \$4 million to the Solano Transportation Authority (STA) and \$1 million for the other North Bay counties (Marin, Napa, and Sonoma) to be distributed after evaluation of proposals from the County Transportation Agencies (CTAs) in those counties for eligible projects, due to MTC by May 1, 2020.
2. Eligible counties will be responsible for developing county-specific guidelines, managing a call for projects, and submitting project recommendations to MTC that are consistent with these guidelines.

#### **Project Eligibility:**

1. Project must be a transportation investment directed within or connected directly to a PDA or TPA.
2. Project must meet the eligibility guidelines for the OBAG 2 County Program.
3. Project must be able to obligate funds by the end of FY2022, consistent with OBAG 2.
4. Project must be eligible for Federal Surface Transportation Block Grant/ Congestion Mitigation and Air Quality Improvement (STP/CMAQ) funding.
5. The minimum grant size to be awarded is \$250,000.

Jurisdiction Eligibility: Project sponsors for selected transportation projects must be compliant with OBAG 2 County Program policies (Housing Element annual reporting, Surplus Lands Act, Complete Streets Requirements, etc.)

### **Housing Incentive Pool \$71 Million Eligibility and Programming Guidelines**

**The following framework will guide the distribution of the \$71 million in HIP funds remaining after the \$5 million Sub-HIP set-aside. These funds are intended to reward jurisdictions who produced and preserved the most affordable housing in Priority Development Areas (PDAs) and Transit Priority Areas (TPAs).**

#### **Funding Sources and Exchanges:**

**Programming capacity for the HIP program includes \$71 million in federal transportation funds, consisting of Federal Surface Transportation Block Grant (STP), Congestion Mitigation and Air Quality Improvement Program (CMAQ), and/or Regional Transportation Improvement Program (RTIP) funds. MTC, in coordination with HIP sponsors, may exchange HIP programming capacity for other federal or non-federal transportation funds, as needed. Projects receiving federal HIP**

programming capacity as part of an exchange (Recipient Projects) must comply with applicable requirements associated with the funding source(s). HIP projects receiving exchanged funds (Target Projects) must adhere to all applicable HIP program requirements, including project selection procedures for projects receiving STP/CMAQ funds.

**Jurisdiction Eligibility and Enforcement:**

Jurisdictions must be compliant with state housing laws related to Surplus Lands, Accessory Dwelling Units, Density Bonuses, and Housing Element by December 31, 2024. Jurisdictions must comply with the following requirements at the time of HIP programming in the Transportation Improvement Program (TIP):

1. Jurisdictions must have a general plan Housing Element adopted and certified by the California Department of Housing and Community Development (HCD) for the 2023-2031 Regional Housing Needs Allocation (RHNA), and
2. Jurisdictions must certify by council or board resolution that they are compliant with the other three laws related to Surplus Lands, Accessory Dwelling Units, and Density Bonuses, using the template provided by MTC.

MTC staff will provide an update to the Commission on Bay Area jurisdictions' Housing Element certification progress in June 2024.

**Funding Distribution:**

Funds will be awarded to the top 15 jurisdictions who produced and preserved the most qualifying units on a per-unit basis, rounded to the nearest \$1,000. Jurisdictions must submit any corrections to the housing unit data used to determine HIP award distributions to MTC staff by January 31, 2024. Award amounts will be revised, as necessary, to accommodate corrections submitted by this deadline or to redistribute rescinded funds from noncompliant jurisdictions, as described below.

MTC will rescind any HIP awards not programmed in the TIP from jurisdictions that remain or become noncompliant with HIP program requirements after December 31, 2024.

MTC will award rescinded funds to the top 15 compliant jurisdiction through the following process:

1. Recalculate total per-unit awards, rounded to the nearest \$1,000, for the revised top 15 compliant jurisdictions,
2. For jurisdictions that have not previously received HIP funds, award the total amount calculated in step 1 or \$250,000, whichever is greater, and
3. For jurisdictions with existing HIP funds, award the difference between the prior HIP total and the recalculated amount from step 1, reduced proportionally for each jurisdiction as needed to accommodate the \$250,000 minimum award for new jurisdictions as required in step 2.

Jurisdictions must recommend eligible candidate projects for rescinded HIP funds according to the criteria and process detailed below. Jurisdictions may recommend that MTC program rescinded HIP funds to projects with existing federal funding as necessary to meet with minimum threshold of \$250,000 in federal funds per project.

Jurisdictions awarded HIP funds through the redistribution of rescinded funds must adopt a self-certification of state housing laws prior to TIP programming.

**Project Eligibility:**

For each HIP project, jurisdictions must:

1. Ensure eligibility for OBAG 2 County Program funds (MTC Resolution No. 4202).
2. Ensure eligibility for Federal Surface Transportation Block Grant (STP) and/or Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds, including meeting minimum local match requirements.
3. For projects eligible for CMAQ funds, provide the inputs necessary to assess the air quality improvements resulting from project implementation, using a template form provided by MTC.
4. Comply with MTC's Complete Streets policy (MTC Resolution No. 4493), including submission of a Complete Streets checklist, if applicable.
5. Comply with MTC's Regional Project Delivery Policy (MTC Resolution No. 3606), including adoption of a Resolution of Local support using the template provided by MTC.
6. Program a minimum of \$250,000 in federal funds per project (minimum grant amount for HIP and OBAG 2 programs), and
7. Obligate all HIP funds by January 31, 2027.

#### **Project Selection and Programming:**

Jurisdictions awarded HIP funds must submit project recommendations to MTC for selection using the letter of interest template provided by MTC. Jurisdiction letters of interest must:

1. Include multiple project recommendations, totaling 120% to 200% of the jurisdiction's HIP award, to allow for MTC discretion in project selection;
2. Meet the project eligibility requirements listed above, inclusive of any required attachments; and
3. Be submitted to MTC by December 31, 2024 for sponsors on the original top 15 list, or within 6 months of award for jurisdictions awarded HIP funds through the redistribution of rescinded funds.

MTC staff will evaluate letters of interest and make project selection recommendations based on the following criteria:

1. Project eligibility for HIP funding;
2. Deliverability, including anticipated risk to the project development schedule and funding plan;
3. Needs and benefits, which may include consideration of community support, consistency with adopted plans and policies, anticipated project impacts, and/or the availability of alternative funding sources; and
4. For projects eligible for CMAQ funds, the relative cost-effectiveness of associated criteria air pollutant and fine particulate matter (PM 2.5) reductions.

MTC will evaluate and select HIP projects on a rolling basis as letters of interest are submitted. HIP awards and selected projects will be programmed through the OBAG 2 framework as revisions to MTC Resolution No. 4202.