Fair Share

How the San Diego region can receive its fair share of funding from California’s Affordable Housing and Sustainable Communities program

January 2020
Acknowledgments

Special Thanks
Circulate wishes to recognize the advisory committee members that provided valuable feedback on this report. They include: Sylvia Martinez, Ginger Hitzke, Debbie Ruane, Rockette Ewell, Ricardo Flores, Alejandro Huerta, Kwofi Reed, Tammie Moreno, Nicole Capretz, and Monica Palmeira.

In addition we would like to thank staff members at agencies across California who answered our questions about their experience and success with AHSC. They include: Jim Cunradi (AC Transit), Abby Torne-Lyman (BART), and Shawnte Spears (San Jose Housing Department).

Thank you to Circulate staff, Jana Schwartz, for the design of this report.

Sponsors
Circulate thanks our generous sponsor who contributed to help us fund this report:

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Executive Summary

The Affordable Housing and Sustainable Communities program (AHSC) seeks to reduce greenhouse gas (GHG) emissions by financing new affordable homes and improvements to greener transportation infrastructure. AHSC funds are prioritized in disadvantaged and low-income communities, investing in the health and quality of life of residents who benefit most from investments in affordable homes and the reduction of GHG emissions.

Unfortunately, San Diego has underperformed compared to other large and urban regions in California in its ability to bring in AHSC funds for disadvantaged and low-income communities. Local jurisdictions have an important role to support applicants and bring this funding to San Diego. Cities, counties, and
other agencies have the ability to provide technical assistance and proactively support potential AHSC applicants to increase their chance of qualifying for these multi-million dollar grants.

This report reviews best practices from various agencies across the state and outlines steps that local jurisdictions, transit agencies, Local Housing Finance Agencies, and the San Diego Association of Governments (SANDAG) can take to attract statewide investment into the San Diego region. Recommendations for local agencies include:

• Identify lead departments and prioritize inter-agency coordination to seek AHSC dollars
• Provide technical assistance and websites to efficiently support AHSC applicants
• Prioritize AHSC-eligible projects with available local funds for affordable homes
• Prepare a pipeline of transportation projects that can be paired with AHSC-eligible affordable housing projects

Local jurisdictions and transportation agencies have an important role in securing more AHSC funding for our region. San Diego can look to other successful regions and adopt their best practices. By acting strategically, the region can secure its fair share of benefits from the AHSC program.

Roundabout and traffic calming in the Bird Rock neighborhood of San Diego.
Introduction

The Affordable Housing and Sustainable Communities program (AHSC) is an effort by the State of California to invest Cap-and-Trade dollars into affordable homes and local transportation improvements.

Research has shown that locating affordable homes near transit has measurable benefits for reducing greenhouse gas (GHG) emissions.\(^1\) Lower income households are less likely to own cars, and more likely to utilize nearby transit. The effect of locating deed-restricted affordable homes near transit is a measurable reduction in vehicle miles traveled (VMT), and a reduction in GHGs.

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The AHSC program seeks to reduce GHGs by financing new affordable homes, paired with improvements to greener transportation infrastructure. This program is designed to address the dual crises of the climate and affordability in California.

AHSC receives funding from the Greenhouse Gas Reduction Fund (GGRF) through the state’s Cap-and-Trade auction program to implement the GHG emission reduction goals of AB 32 and SB 375.2 The Strategic Growth Council (SGC) administers AHSC, which has funded four rounds of grants and loans to projects that received the highest scores in a competitive process. In the first three rounds, $700 million was awarded to 77 projects combined. In the fourth round for fiscal year 2017-2018, the SGC awarded $402 million through AHSC to 25 projects from across the state, which denotes an increase in funding capacity. Through four rounds, AHSC projects will result in 6,400 residential homes, 85 miles of bike lanes, and 650 new or improved crosswalks.3

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Paradise Creek, in National City’s Westside neighborhood.

Photo source: Community HousingWorks
AHSC funds are prioritized in Disadvantaged Communities, Low-Income Communities, and Low-Income Households. These are the communities in census tracts most impacted by pollution burden and socioeconomic factors, or communities that are designated as low income, as defined in SB 535 and AB 1550. Prioritizing projects located in disadvantaged and low-income communities invests in the health and quality of life for residents of these communities, who most benefit from investments in affordable homes and the reduction of GHG emissions.

The investment that AHSC brings to disadvantaged and low-income communities has not been as robust in the San Diego region as it has been in other large and urban regions across California. Over the four rounds of the AHSC program, over $1 billion has been awarded. The San Diego region has received $78 million over the course of the AHSC program, which amounts to 7.3 percent of the total funding. Yet the San Diego region represents about 8.5 percent of California’s population.

### AHSC Program Funding in Four Rounds for San Diego County

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In the last round, for fiscal year 2017-2018, the San Diego region received $20 million out of a total of $402 million for one project, representing only five percent of the grants awarded statewide. If San Diego had received funding proportionate to the region’s population in

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5. [Available at](http://www.circulatesd.org/Fairshare).
6. Id.
the last round alone, it would have received an additional $14 million investment into San Diego affordable housing and transportation projects. These figures show that San Diego is underperforming in this impactful program, and the region needs new efforts and urgency to secure San Diego’s fair share of these resources.

AHSC Program Funding in Most Recent Round for San Diego County

There are many reasons for San Diego’s underperformance in AHSC, some beyond any developer or jurisdiction’s control. However, local jurisdictions do have the ability to provide technical assistance and proactively support AHSC applicants to increase their chance to qualify for these multi-million dollar grants. This report outlines a variety of steps that local jurisdictions, regional transit agencies, Local Housing Finance Agencies, and the San Diego Association of Governments (SANDAG) can take to attract statewide investment into the San Diego region.

The effort to secure more AHSC dollars should be a priority for the entire San Diego region. More funding for affordable homes near transit will create a variety of overlapping benefits. Creating more affordable homes will help address our housing crisis. Building more deed-restricted homes near transit will reduce GHGs and help local governments meet their climate goals. Finally, bringing more resources into the region will have an economic development impact, creating more jobs and growth.

The effort to secure more AHSC dollars should be a priority for the entire San Diego region.
Case Studies

The AHSC program funds a variety of projects throughout California. Adjacent are two examples of projects from prior funding rounds. They fund a combination of affordable homes, transit, and active transportation improvements.
**Case Study: Keeler Court/Southcrest Project**

The Keeler Court/Southcrest Project in the City of San Diego received $9,934,273 in AHSC funding in Round Three. The Community HousingWorks project includes 71 affordable homes, over a mile of pedestrian upgrades in the immediate vicinity of the project, and six miles of bike lanes connecting to Downtown San Diego. Community HousingWorks partnered with the San Diego Metropolitan Transit System to fund new buses, resulting in reduced headways and improved bus service for residents.

**Rendering of the Keeler Court/Southcrest Project in the City of San Diego.**
*Photo source: Community HousingWorks*

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**Case Study: Vermont Manchester Transit Priority Project**

The Vermont Manchester Transit Priority Project in South Los Angeles received $20 million in AHSC funding in Round Four. The project, which resulted from a partnership between the City and County of Los Angeles and BRIDGE Housing, will construct 180 new affordable homes. $6.5 million of the total award will provide funding for a public transit plaza, improved pedestrian and bicyclist connections to a local school, and a nearby bus rapid transit station.

**Drawing of the Vermont Manchester Transit Priority Project in South Los Angeles.**
*Photo source: Los Angeles County*
Best Practices

Most state affordable housing programs fund only the capital to build new units, and funding applications are primarily driven by affordable housing developers. AHSC applications are also largely driven by affordable housing developers, but the program requires that applications fund new homes, as well as transportation improvements. This requires a much deeper commitment and coordination between an affordable housing developer applicant, and the jurisdiction and transit agencies where their proposed developments are located.

While AHSC offers hundreds of millions of dollars every cycle, the funding is highly competitive. In order to compete, local jurisdictions and governmental agencies across California
have taken a variety of steps to assist applicants. Better efforts by local jurisdictions and agencies in San Diego can draw millions of dollars into public improvements that benefit the climate, economic development, and low-income communities.

**San Jose**

The City of San Jose is the third largest city in California and has succeeded at submitting many competitive projects, resulting in a high share of awards received. In the most recent fourth round, five projects located in San Jose applied for AHSC funding and two received awards, bringing in an investment of $31.5 million to build 155 affordable units. The City of San Jose alone received 22 percent of the TOD funding allocated in this round, far outperforming for its size.\(^8\)

The large number of applicants from San Jose meant that even though only 40 percent of the projects were awarded, the city still received a large investment supporting housing and transportation in their communities. San Jose’s ability to partner on five applications in one round demonstrates their commitment of resources to attract the large investment of AHSC funds from the state. It also demonstrates how the city prepared—and invested in—a pipeline of transportation projects that could be funded by AHSC.

An important factor in San Jose’s aggressive push to receive AHSC funds comes from the political appetite to construct more affordable housing. The mayor, Sam Laccardo, set a goal of building 10,000 new affordable homes in the city by 2022.\(^9\) As a result, the city’s budget and staff time prioritize opportunities to build affordable housing and maximize limited resources.

**City of Los Angeles**

The City of Los Angeles has demonstrated its ability to support and foster successful AHSC projects in all aspects of their proposals. Their efforts have paid off: Los Angeles won funding for five projects in the fourth round of AHSC, resulting in over $80 million for 709 affordable homes.\(^10\)

The Los Angeles Housing and Community Investment Department (HCID) demonstrates how a local jurisdiction can proactively help

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applicants with strategic staff support. HCID works closely with applicants and requires that they complete a Developer Call for Projects form to partner as a potential co-applicant with the city. Projects that are competitive for AHSC grants are steered toward that program, and away from scarce nine percent tax credits. While HCID takes the lead for the city, a key aspect of their success stems from interdepartmental coordination. HCID works with the city’s other agencies, including the Department of Transportation, Bureau of Engineering, Department of City Planning, Bureau of Street Lighting, Bureau of Street Services, and Economic and Workforce Development Department, as well as City Council offices, LA Metro, and technical assistance service providers.11

HCID maintains a list of priority transportation projects that are partially funded that would score well for GHG reductions in the AHSC applications. Staff works with applicants to identify and include these priority projects in their AHSC submissions. GHG reductions are a key measurement for scoring AHSC applications, and those reductions are largely determined by the quality and type of transportation improvements in the application. Public agencies with a variety of transportation projects ready to include in AHSC applications can make them more competitive.

HCID facilitates regular interdepartmental meetings to discuss AHSC. These meetings help develop the pipeline of projects for potential applicants and coordinate across the city’s departments to best support applications. For example, the Department of City Planning staff help applicants with certain sections of the extensive application, like the narrative. City staff incorporate the relevant planning document references and policies that show how a project aligns with the city’s goals.

The City of Los Angeles also maintains an easy-to-find and regularly updated website about AHSC that provides resources to potential applicants.12 The website maintains a list of awarded projects, which makes it easy to review historical program information. It contains an interactive map, which shows where awarded projects are located, what areas of the city are within a ½ mile of transit, and the Calenviroscreen score, which shows disadvantaged and low-income communities.13 The website provides resources and information on how affordable developers can partner with the city on AHSC applications.

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11 Affordable Housing and Sustainable Communities Program, Los Angeles Housing and Community Investment Department, accessed on August 2, 2019, available at https://hcidla.lacity.org/ahsc.

12 Affordable Housing and Sustainable Communities Program, Los Angeles Housing and Community Investment Department, accessed on August 2, 2019, available at https://hcidla.lacity.org/ahsc.

**Los Angeles County**

The County of Los Angeles has jurisdiction over unincorporated areas of Los Angeles County. Los Angeles County has organized a developer forum for potential applicants, hosts a website to support AHSC applications, and offers technical assistance. Similar to the City of Los Angeles, the County of Los Angeles organizes bi-monthly AHSC Working Group meetings to coordinate and develop a pipeline for the AHSC program.

The County of Los Angeles website offers easy access to its own AHSC Framework and Guidelines, which outlines the desired attributes of a potential applicant and partner for AHSC. This creates a transparent guide for developers who can quickly see if they are a good fit. The website also contains information about application scoring, the role that multiple county departments play to support potential applicants, and advice from Enterprise Community Partners on the elements of a competitive application.

The County also developed a bus shelter prototype to improve bus stops across the County. That prototype allows affordable housing developers to easily incorporate bus shelters, which have a set cost, into their AHSC applications.

**Southern California Association of Governments**

The Southern California Association of Governments (SCAG) provides technical assistance to AHSC applicants throughout its six-county region as the metropolitan planning organization representing much of Southern California. SCAG provides a unique readiness tool on its website for potential applicants, which helps determine if a proposal meets the minimum requirements to qualify for AHSC through 24 questions. SCAG offers a guide to planning documents, specifically its own Sustainable Communities Strategy and plans adopted by jurisdictions throughout its region, which are needed for the narrative section of the AHSC application. The website shares information on the top GHG reduction strategies, tips for the project application scoring, and resources for applicants.

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As applicants and jurisdictions in SCAG’s region became more experienced—and successful—with the complex AHSC application process, providing general information apart from the partnering jurisdiction is likely less needed. For other regions that have not reached their level of success, this type of up-to-date information may still be valuable.

**Bay Area Rapid Transit**

Bay Area Rapid Transit (BART) works closely with technical assistance providers and local jurisdictions to partner on AHSC applications. BART staff has developed relationships with technical assistance providers and housing departments for jurisdictions like Oakland and San Francisco, which gives BART the opportunity to join as co-applicants on projects that are a good fit with the transit agency. BART staff prioritize developing high scoring transportation projects first and then finding complementary housing projects instead of attempting to create new transportation projects to match a potential AHSC housing project.

BART staff prioritize developing high scoring transportation projects first and then finding complementary housing projects instead of attempting to create new transportation projects to match a potential AHSC housing project.

The agency owns approximately 250 acres of land surrounding transit stations and has developed a robust joint development program, resulting in one to two joint development projects annually. BART automatically checks to see if those projects are a good fit to apply for AHSC funding. BART also pursues potential partnerships months before the application deadline, and while some projects fall through for numerous reasons, they actively pursue opportunities to receive AHSC funding.

BART has adopted numerous plans and policies that provide them with potential transportation projects available for AHSC such as the BART Bicycle Plan and Bicycle Program Capital Plan, wayfinding and signage guidelines, a Station Access Policy, and a forthcoming Walk and Bicycle Network Gap Study. The agency also enjoys the benefit of receiving bond funds that are designated for funding off-site bicycle and pedestrian projects in close proximity to BART stations. This results in their ability to fund projects that are already planned and approved by their board, such as bicycle or station wayfinding improvements that can more easily be incorporated into an AHSC application. Ultimately, they are able to partner on applications that are located near a BART station with projects in their existing plans.
Alameda-Contra Costa Transit District

Alameda-Contra Costa Transit District (AC Transit) provides bus transit in the Bay Area and has found success purchasing new buses to increase transit frequency through partnering on AHSC projects. Their success stems from the large GHG reductions that result from bus electrification, increased frequencies, and Bus Rapid Transit (BRT) infrastructure.

AC Transit’s successful AHSC partnerships incorporate already planned transit service expansions for routes with stations that are located near the AHSC project, even if that improvement is not the same as the qualifying transit for the application. Planned service expansions that the agency already budgeted for to cover the cost of operations and maintenance can apply AHSC funds to the capital purchase of buses. They have also succeeded in funding planned and partially-funded BRT infrastructure projects, which did not have to be planned from scratch in the short application time period.

AHSC funds can be used for station improvements and Bus Rapid Transit infrastructure for routes such as the Rapid 215.

Photo source: San Diego Metropolitan Transit System
Recommendations

Local jurisdictions and agencies can make a difference to bring state dollars to the San Diego region through AHSC. The ability to assist developers with finding transportation projects that reduce GHGs can make the difference between meeting the scoring threshold to receive millions of dollars of investment to San Diego. While financial resources help, strategic staff time and agency policies can also make a difference with AHSC.

Agency Leadership and Interdepartmental Coordination

As seen in successful jurisdictions like the City of Los Angeles, leadership and interdepartmental coordination are important
to support successful applications and create a pipeline of AHSC-eligible transportation projects. Coordination between relevant departments is especially necessary for large jurisdictions like the City and County of San Diego and should be prioritized as a first and necessary step.

In any jurisdiction, political will is needed to support the dedication of staff time and resources to partner on multiple applications and develop a pipeline for future rounds. City council offices can also provide needed support for projects in their district and can be an ally for successful coordination within a city.

Interdepartmental coordination requires leadership and direction but does not require extensive financial investments, however it is crucial for any jurisdiction that wants to partner and win. Regular monthly or bi-monthly interdepartmental and interagency meetings create the opportunity to strategically plan for developing a website, prepare a pipeline of transportation projects, and support the drafting of the AHSC application. In larger cities, a department and individual staff lead that is supported by the mayor and city council is important to the ability to coordinate well and efficiently. Ideally the individual lead for AHSC has a background in housing development and finance, to better work with and support the project applicant. In smaller cities, a city manager can lead this effort by simply involving departmental leads as needed without a regular working group.

For the City of San Diego, that will mean coordinating between the Planning Department, the Public Works Department, Transportation and Stormwater, among others. Coordination will also be key with the San Diego Housing Commission, which serves as the City’s Local Housing Finance Agency, but does not directly report to the Mayor under the City of San Diego’s Strong Mayor form of government. For the County of San Diego, that will mean coordination between Housing and Community Development Services, Planning and Development Services, and Public Works.

A measurable goal, such as a number of applicants that partner with a jurisdiction, can provide a target for an interagency working group to strive towards. SANDAG could propose a goal of applicants or funds received regionally and provide technical assistance to help achieve that goal. Leadership and accountability are needed to push San Diego towards bringing state funding to the region, commensurate with our population.
**Technical Assistance and Websites**

The development of a website is a basic step in supporting AHSC projects. While some affordable developers have extensive experience locally and across the state with AHSC, jurisdictions should ensure that they keep the door open for developers without that experience to pursue AHSC funding if they have an eligible project. A website can provide contact information to the AHSC lead and departmental leads, notice of workshops, and information to help potential applicants to prepare a competitive application.

After four rounds of AHSC funding, local jurisdictions or consultants can share tips and suggestions for improving applications at all stages, from planning the transportation components to the writing of each section of the application itself. For example, jurisdictions should provide information on relevant plans and policies that apply to their jurisdiction or provide technical expertise on how to improve the project’s GHG reductions, a large element of the AHSC scoring. Large jurisdictions like the City and County of San Diego should provide points of contact and identify lead departments.

Regional agencies such as SANDAG are ideal partners to provide technical assistance to smaller jurisdictions that do not have large departments with the ability to conduct detailed GHG analyses, or who have not developed familiarity with the AHSC program over multiple applications. To launch an expanded program of technical support for local jurisdictions, SANDAG could enlist consultants that have years of experience supporting successful agencies with AHSC applications. SGC also provides technical assistance across the state and their consultants can discuss trends and shifts over time, which is useful information if a jurisdiction has not partnered on applicants in recent rounds.

**Prioritize AHSC-Eligible Projects with the Affordable Housing Funds**

Local Housing Finance Agencies have discretion to manage a jurisdiction’s housing funds. They can leverage their limited resources to build more affordable homes with AHSC funding and develop a managed project pipeline. When finance agencies prepare their annual agency plans and their resulting notices of funding, it is important to prioritize supporting projects that increase the opportunity to attract state funding such as AHSC and to maximize housing production outcomes.
For example, finance agencies can steer projects that are likely to score well for the AHSC program away from the over-subscribed nine percent tax credit program. That will allow competitive AHSC applications to compete for funding among a pool of state-wide applicants, which are not capped for any particular region in the state. Successful AHSC applicants will bring in funding to the region that would otherwise not be made available to San Diego. The local projects that are not good candidates for AHSC can then compete with one another for nine percent tax credits, which are both capped and dedicated through an allocation for the San Diego County area. A strategy like this will maximize the housing resources brought into the region resulting in more units for the same amount of local resources. Currently, the San Diego Housing Commission, the region's largest Local Housing Finance Agency, does not manage its project pipeline in this manner.

**Increase Affordable Housing Funding**

The San Diego region has limited local funding sources that can be leveraged for AHSC applications. Current funding in the City of San Diego is limited to the Inclusionary Housing and Linkage Fees charged to local developments. There are no other local funding sources for affordable homes besides these fee-based funds, unlike the City of Los Angeles and other jurisdictions that have passed housing bonds to fund thousands of housing units.

Local dollars are needed to leverage state and federal resources for the construction of affordable homes. Opportunities to increase local funding include a housing bond or a vacancy tax. There are also other creative ways to maximize limited resources including fee waivers and long-term fee deferrals for affordable projects. San Diego can also explore how to maximize the number of federal Housing Choice Vouchers that are project-based, to help more new projects become financially feasible. Without increasing the region's local funds, there will continue to be fewer projects in San Diego with less funding leveraged than projects from other regions.

**Prepare a Pipeline of Transportation Projects – Local Jurisdictions**

Transportation projects and programs are a make-or-break component of the AHSC program and specifically play a large role in GHG reduction scoring. It is crucial for jurisdictions to have a range of shovel-ready projects and a pipeline of projects in the planning stages to maximize the chance of pairing a strong transportation component with an affordable housing project.


Since the AHSC application is time and resource intensive, many agencies have learned to focus on matching projects that already exist in planning documents, with potential applicants. Attempting to create a new project that matches a potential applicant’s geographic constraints requires significant effort above and beyond the normal application process and is not as competitive as projects that have already been planned. The chance of success with AHSC increases when a partnering agency focuses on finding the right match and developing strong applications with those projects, even if that means not partnering on every available opportunity.

This requires interdepartmental coordination in larger jurisdictions to ensure that transportation, planning, and public works departments understand the need to have a pipeline of projects ready to support AHSC grant applications.

Receiving millions of dollars from AHSC requires a local commitment to fund active transportation plans, which increase an application’s score with higher matching funds. Funding the planning and design stages of safe streets improvements is an important first step to bring state investment to local jurisdictions and for meeting local climate action plan goals.

New funding sources such as local tax measures and state SB1 dollars can be used to finance a local planning component of transportation improvements and make AHSC applications more competitive. The disbursement of new transportation funds should be prioritized based on the ability to leverage those funds with state and federal resources such as AHSC.

**Prepare a Pipeline of Transportation Projects – Transit Agencies**

Transit agencies have the unique ability to support AHSC applications with transit projects. Transit agencies can develop a menu of projects available for potential AHSC applicants, including projects that can be installed in various locations such as station improvements, bicycle parking, and wayfinding. Transit agencies and local jurisdictions can collaboratively develop first and last mile improvements focusing on transit access. Agencies like BART use bond funds to assist local jurisdictions to install these improvements, and these funds can be included as matching funds in an AHSC application.
Transit improvements that result in increased frequency and service have shown high GHG reduction scoring compared to smaller, more localized transportation improvements. Transit agencies can fund bus electrification and increased route frequency by purchasing new electric buses, which supports GHG reduction strategies. This includes funding new buses for already planned frequency enhancements, for example any route enhancements in the MTS Transit Optimization Plan that have not yet been implemented. Other potential capital transit projects include new bus-only lanes that improve bus service. Bus-only lanes also require coordination with local jurisdictions that control the surface streets.

The lack of funding for maintenance and operations can be a barrier for transit projects, such as purchasing new buses. However, successful jurisdictions have found ways to reorganize existing flexible funding sources to cover the non-capital aspects of a project and overall increase their budget and level of service.

Purchases of new Trolley vehicles can be funded through AHSC grants. 
Photo source: San Diego Metropolitan Transit System
Conclusion

The AHSC program is very competitive because of how extraordinary its benefits are for the communities that receive funding. The jurisdictions that receive large shares of AHSC funding are those that are intentional, and prioritize their housing and transportation funding strategically. They use their own resources to leverage outside funding.

Successful jurisdictions work collaboratively between departments and with other agencies to maximize their ability to support applicants. They also have strong local funding streams for both housing and transportation. Agencies that succeed with AHSC applications develop a menu of transportation projects available for potential applicants. As a result of these efforts, jurisdictions like Los Angeles and San
Jose have brought in tens of millions of dollars from state coffers to benefit their disadvantaged and low income communities.

To maximize San Diego’s ability to draw in California’s Cap-and-Trade funding, local jurisdictions will need to prioritize transportation and affordable housing resources. Some recommendations, like increasing local funding resources, cannot be accomplished immediately. Other best practices simply require intention and the political will to make AHSC applications a priority.

Bringing more housing and transportation dollars can create many co-benefits for San Diego’s economic development, affordability, and climate goals. New dollars invested in our region will mean new construction and economic growth. Building more affordable homes near transit will help address our affordability crisis. Funding more green transportation improvements, and allowing more people to live near transit, will allow the region to meet its ambitions GHG reduction targets.

Local jurisdictions and transportation agencies have an important role to secure more AHSC funding for our region. San Diego can look to other successful regions and adopt their best practices. By acting strategically, the region can secure its fair share of benefits from the AHSC program.

In any jurisdiction, political will is needed to support the dedication of staff time and resources to partner on multiple applications and develop a pipeline for future rounds.

Community HousingWorks received nearly $10 million from AHSC for Keeler Court.

Photo source: Community HousingWorks