

**Metropolitan Transportation Commission
Programming and Allocations Committee**

December 13, 2023

Agenda Item 5a.ii. - 23-1417

MTC Resolution Nos. 4202, Revised and 4348, Revised

Subject:

Revisions to MTC’s Housing Incentive Pool (HIP) to adopt eligibility and programming guidelines, an update of the final year of the program (2022), and the preliminary list of HIP program standings by jurisdiction (2018-2022).

Background:

In October 2018, the Commission established the Housing Incentive Pool (HIP) program as part of a concerted effort to use flexible transportation funds to incentivize local jurisdictions to accelerate the production and preservation of affordable housing. At the end of the five-year pilot, from 2018 through 2022, the Commission will award \$71 million in federal transportation funds to the top 15 jurisdictions that produced or preserved the greatest number of qualifying affordable housing units.

To qualify for HIP credit, individual housing units must be affordable, deed-restricted, and located within Priority Development Areas (PDAs) or Transit Priority Areas (TPAs). Credit for preserved housing units will be awarded for multi-family units that are either (a) newly acquired and protected as affordable, or (b) existing government-assisted units, with a high risk of converting to market-rate housing, which are given extended protections.

To be eligible for funding, jurisdictions must also comply with state housing laws related to Surplus Lands, Accessory Dwelling Units, Density Bonuses, and Housing Elements. HIP program criteria can be reviewed in full in the resolution attached to this item (MTC Resolution No. 4348).

2018-2022 HIP Status Report and Preliminary Awards

Production and preservation data for the final year of the HIP program (2022) are now available from the California Department of Housing and Community Development (HCD). In 2022 alone, Bay Area PDAs and TPAs saw over 2,800 new affordable units added and an additional 328 units preserved. Over the course of the five-year program, from 2018 to 2022, jurisdictions have built or preserved more than 13,000 affordable units in PDAs or TPAs. Nearly half (46%) of the qualifying units in that period were located in San Francisco. When including the next

three cities – Oakland, Fremont, and San Jose – the top 4 jurisdictions account for producing or preserving two-thirds of the total qualifying HIP units. The qualifying HIP units by jurisdiction and preliminary HIP award amounts for the top 15 jurisdictions that produced or preserved the most affordable housing over the program period are provided in **Attachment 1**. The award amounts are preliminary, and the final amounts are subject to change based on any additional information provided by jurisdictions during the review period described below.

To illustrate the targeted focus of the HIP program, the qualifying units completed during the HIP period comprise only a fraction (12%) of the total housing built in that time. **Attachment 2** lists the total number of housing units built in each jurisdiction from 2018 through 2022 – including all levels of affordability, deed restriction status, and relationship to PDAs and/or TPAs.

Local Jurisdiction Review Period

MTC staff have requested that local jurisdictions review the housing data presented in the attachments and distributed earlier this month to individual jurisdictions and County Transportation Agencies (CTAs). Jurisdictions should alert MTC staff no later than January 31 to any corrections that are needed in the number or categorization of qualifying HIP units.

Proposed Programming Policies

This month, staff recommend revisions to the HIP program guidelines to further detail the project selection and programming policies, including:

- Revised deadlines for Housing Element certification and adoption of state housing law self-certification resolutions to align with OBAG 3 deadlines. Jurisdictions awarded HIP funds must comply with all applicable program requirements in order for MTC to proceed with project selection for the jurisdiction. Further discussion of the revised OBAG 3 deadlines for Housing Element certification is described in Agenda Item 5ai;
- A review period for jurisdictions to submit corrections to the 2018-22 housing data as compiled by MTC from December 2023 through January 2024; and
- A rolling letter of interest process, whereby the top 15 HIP jurisdictions would submit transportation project ideas to MTC for final project selection and programming through December 2024.

Issues:

- HIP award amounts are preliminary and subject to change based on data provided during the local jurisdiction review period. Staff will present revised award amounts, as necessary, to accommodate corrections submitted during the data review period or to redistribute rescinded funds from jurisdictions that fail to comply with applicable program requirements, such as Housing Element certification, by the adopted deadlines.
- HIP program fund source revisions are proposed under Agenda Items 4a and 2g. Currently, funding for the HIP consists of \$46 million in Regional Transportation Improvement Program (RTIP) funds and \$25 million in federal One Bay Area Grant (OBAG) Program funds. If approved by the Commission, the fund source changes will allow the San Francisco Municipal Transportation Agency (SFMTA) to use \$18.27 million in County transportation sales tax funds for HIP projects, in exchange for the same amount in RTIP programming capacity, and exchange the remaining \$27.73 million in RTIP funding with OBAG funds. These changes would eliminate RTIP funding for the HIP program, allowing project sponsors to access their HIP awards earlier than would be possible with the available RTIP funds. Staff will return with another programming action to finalize these fund source changes following the California Transportation Commission's approval of the 2024 RTIP, anticipated in March 2024. These programming actions do not guarantee a specific HIP award to San Francisco in advance of the jurisdiction data review period, and HIP funding to San Francisco is still subject to MTC project selection processes.

Recommendations:

Refer MTC Resolution Nos. 4202, and 4348, Revised to the Commission for approval.

Resolution No. 4202 is proposed for additional revisions under Agenda Item 2g, and is included once under that item with all proposed revisions. Only items approved by the Committee will be forwarded to the Commission.

Attachments:

- Attachment 1: HIP Qualifying Units and Preliminary Awards by Jurisdiction, 2018-2022
- Attachment 2: Total Housing Production, 2018-2022
- MTC Resolution No. 4202, Revised Attachment B-1 (**provided under Agenda Item 2g**)
- MTC Resolution No. 4348, Revised



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