Transportation Authority of Marin

DATE: September 28, 2017

TO: Transportation Authority of Marin Board of Commissioners

FROM: Dianne Steinhauser, Executive Director
David Chan, Programming and Legislation Manager

SUBJECT: MTC's Proposed Conditions on STIP Funds (Action), Agenda Item No. 12

RECOMMENDATION

Seek input from the TAM Board on MTC's proposal to impose housing requirements on the use of STIP funds by CMAs.

BACKGROUND

State Transportation Improvement Program (STIP) funds are derived from state sales tax on gasoline. It is a highly flexible source of funds that can be used on state highways, local streets and roads, bicycle and pedestrian projects, and transit projects. STIP funds are primarily assigned to three categories:

- State Highway Operation and Protection Program (SHOPP),
- Interregional Transportation Improvement Program (ITIP), and
- Regional Transportation Improvement Program (RTIP).

STIP funds assigned to the SHOPP and ITIP are used exclusively by Caltrans for state and interregional projects. STIP funds assigned to the RTIP are distributed to CMAs for programming to projects within their jurisdictions.

Every two years, CMAs are allowed to program new STIP funds to new or existing projects. TAM gets about $2 million to $3 million annually for projects. However, there were several cycles in the last 15 years when funds were completely withheld from the RTIP to address the State Budget crisis. Most notable was the 2016 STIP Cycle when the California Transportation Commission (CTC) not only made no new funds available but had to deprogram nearly $1 billion in STIP funds from existing projects. Deprogramming was ultimately avoided due to the passage of SB1 in early 2017, but the 2016 STIP Cycle illustrates the uncertainty of these funds when the State is faced with budget crisis. Note that SB1 locked in provisions whereby the State cannot take state gas tax for purposes other than transportation needs.

TAM's STIP SHARE

As noted above, TAM receives approximately $2 million to $3 million annually and has had sole discretion per state statute on the assignment of funds. However, TAM has exceeded its share of STIP funding in order to attract Proposition 1B bond funds for the Marin Sonoma Narrows. By programming our local STIP funds to the Narrows, TAM was able to attract over $63 million in Corridor Mobility Improvement Account, or CMIA, funds to the Narrows from the Prop 1B transportation bond program approved by voters. These grant funds would not have otherwise come to Marin and were above and beyond any funds TAM had available. The funds enabled us to proceed with the safety improvements, multi-use paths, and carpool lanes that are being constructing currently in the Narrows.

The result of advancing STIP funds for the MSN project means that TAM will not be able to program STIP funds to new projects until the existing deficit of approximately $30 million is paid off from future shares.

The STIP is programmed in even numbered years, so a programming cycle is happening now, with the CTC taking action in early 2018, and the counties sending in candidates in late 2017. MTC has a role to play in that they aggregate candidate recommendations from all nine Bay Area counties and submit the package directly to the CTC on our behalf.

MTC HOUSING REQUIREMENT PROPOSAL ON STIP FUNDS

On September 19, 2017, MTC convened the CMA Directors to discuss possible future housing requirements for the use of STIP funds. MTC staff is considering presenting these proposed requirements to the MTC Commission in October for consideration as part of MTC's 2018 STIP Guidelines and prior to counties finalizing projects by the end of November.

MTC has been urged by housing advocates to help alleviate the affordable housing crisis in the Bay Area. ABAG has reported that the Bay Area is in the midst of a housing crisis, with housing affordability at an all-time low. One reason for the housing crisis is that housing growth has not kept pace with job growth. Exacerbating matters is the type of housing stock being created. Nearly two-thirds of the Bay Area's current housing stock is single-family. The severe lack of multi-family housing development in most communities has resulted in large numbers of people not being able to afford housing in the areas where they work. Another major factor contributing to the lag in housing production is local policies related to land use and development.

The issue presented by MTC staff was that many jurisdictions in the Bay Area have performed very poorly in meeting the thresholds of RHNA production for very low, low, and moderate income housing.

MTC has in the past created a number of programs in the past to address this issue, including:

- Naturally-Occurring Affordable Housing (NOAH) Program - $10 million set-aside for a pilot fund to support affordable housing where it currently exists.
- Transit-Oriented Affordable Housing Fund (TOAH) - $10 million to establish a revolving loan fund to help affordable housing developers finance land acquisition in select locations near rail and bus lines throughout the Bay Area.
- Housing Incentive Program (HIP) - Rewarding local governments that build housing near transit stops with the key objectives to increase housing supply in areas with existing transportation infrastructure and services in place and establish the residential density and ridership markets necessary to support high-quality transit service.
- Priority Development Area (PDA) Strategy - Promoting transportation investments in areas that are expecting future growth by requiring CMAs to invest a minimum percentage of federal transportation funds to those areas. Note that Marin assigned a minimum of 50% of our federal gas tax funds through OBAG in support of PDA's, as required by MTC.

MTC staff stated that these efforts have not been enough to alleviate the affordable housing crisis in the Bay Area. In two cycles of RHNA Reports (1999-2006 and 2007-2014), MTC characterized the following categories and identified jurisdictions in those categories (see slide 6 of Attachment A):

- Very low performing jurisdiction - 10% of RHNA target
- Low performing jurisdiction - 15% of RHNA target
- Moderate performing jurisdiction – 30% of RHNA target

MTC staff is proposing to impose two potential strategies (see slide 5 of Attachment A) for linking STIP funds to better housing outcomes:

1. Incentive option ("carrot") – Increase funding pool to be awarded to jurisdictions with best performance in housing production/permitting/streamlining from 2015-2020

2. Deterrent option ("stick") – Condition new funding eligibility on jurisdictions producing at least 10 or15% of their RHNA numbers for low, very low, and moderate income housing using the 1999-2014 period or 2007-2014 period

Slides 9 and 10 include tables of pros and cons as assessed by MTC on both the Incentive and Deterrent options.

REGIONAL HOUSING NEED ALLOCATION (RHNA)

RHNA is the state-mandated process to identify the total number of housing units (by affordability level) that each jurisdiction must accommodate in its Housing Element. As part of this process, the California Department of Housing and Community Development (HCD) identifies the total housing need for the San Francisco Bay Area for an eight-year period (in this cycle, from 2014 to 2022).

ABAG and MTC must then develop a methodology to distribute this need to local governments in a manner that is consistent with the development pattern included in the Sustainable Communities Strategy (SCS). Once a local government has received its final RHNA, it must revise its Housing Element to show how it plans to accommodate its portion of the region's housing need.

Note all of Marin's 12 jurisdictions (11 cities/towns and the County) have updated Housing Elements that meet the RHNA requirements.

IMPACTS ON TAM

As noted above, TAM has an existing deficit of approximately $30 million in available STIP funds. Because TAM will have no STIP funds for the near future to program, these housing requirements will not impact TAM immediately.

However, it is very likely that TAM will turn to investing in Interchange Improvements once STIP funds become available again. TAM identified at least 6 major interchanges with Highway 101 in its exercise to identify RTP candidates in 2015. One of those Interchanges is the Tiburon/East Blithedale Interchange, for which TAM has approved funds to identify bike/ped/traffic improvements, and the local jurisdictions of Mill Valley, Tiburon, Belvedere, and the County have coordinated closely with each other and Caltrans to make short and mid-term improvements, along with studying long term options. Under MTC's proposal, because Tiburon is listed as not meeting MTC's new screen-line for delivery of very low, low, and moderate income housing, TAM may be precluded from any investments of STIP funds into that Interchange.

RECOMMENDATION

TAM would be well-advised to consider the impacts such a policy would have on its ability to address the transportation needs of local businesses, schools, residents, visitors, and safety services if the production of housing is suddenly overlain onto the use of equitably generated gas tax funds.

Staff seeks input from the TAM Board and will present more detail and options for consideration at the TAM Board meeting of September 28th.

ATTACHMENTS

Attachment A: MTC PowerPoint Presentation - Advancing the Regional Housing Agenda

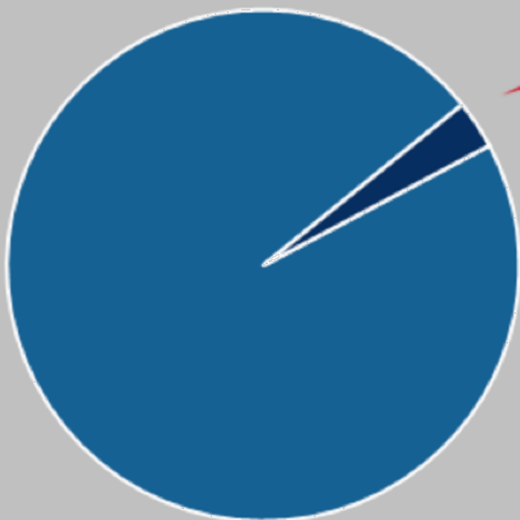
Advancing the Regional Housing Agenda

Potential Initial Strategy

September 19, 2017

Limited Strategic Housing Investments

OBAG 2 Framework,
FY 2018-22, $ in millions



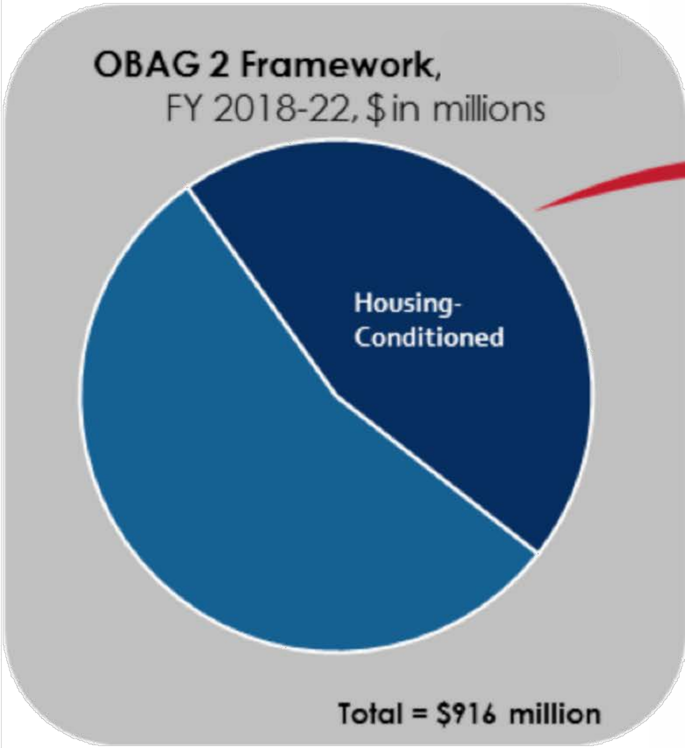
Total = $916 million

Housing Investments

$18 million	PDA Planning Grants
$10 million	NOAH*
$28 million	**Total** (3% of OBAG 2 total)

*Leveraging at 5:1

Transportation Investments Incentivizing Housing Production

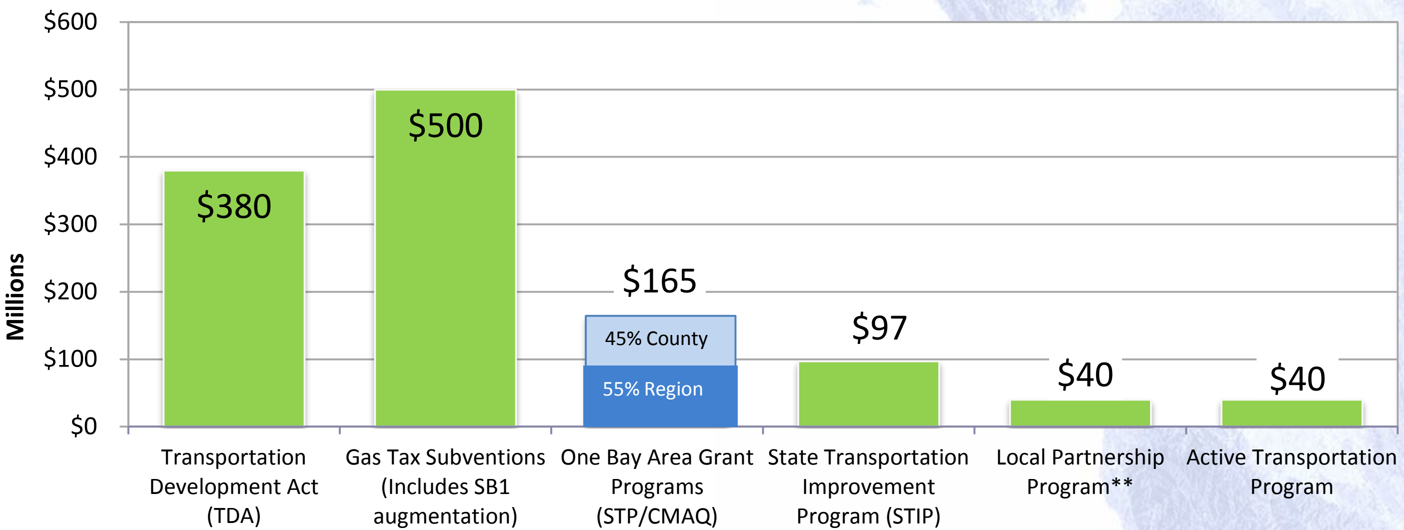


Housing-Conditioned Transportation Investments

$386 million	County Program
$30 million	80k by 2020 Challenge
$416 million	**Total** (45% of OBAG 2 total)

Best Candidates for Leverage

(Estimated annual revenue amounts, in millions)*



Notes:

**Includes SB1 formula funding augmentation where applicable; Does not include SB1 competitive programs*

***Regional share is undetermined. Estimate assumes Bay Area receives 20% of statewide funding*

Potential Strategies for Linking State Transportation Improvement Program (STIP) Funding to Better Housing Outcomes

1. **The Carrot:** Increase funding pool to be awarded to jurisdictions with best performance in housing production / permitting / streamlining from 2015-2020
   - Add $46 million to OBAG2 "80k x 2020" program [total = $76 million]
   - Expand awards to 15 jurisdictions (from 10)

1. **The Stick:** Condition new funding eligibility on jurisdictions producing at least 10-15% of their RHNA numbers for low, very low, and moderate income housing, using 1999-2014 period or 2007-2014 period
   - Consider exception for:
     1. Averaging of production scores for corridor projects

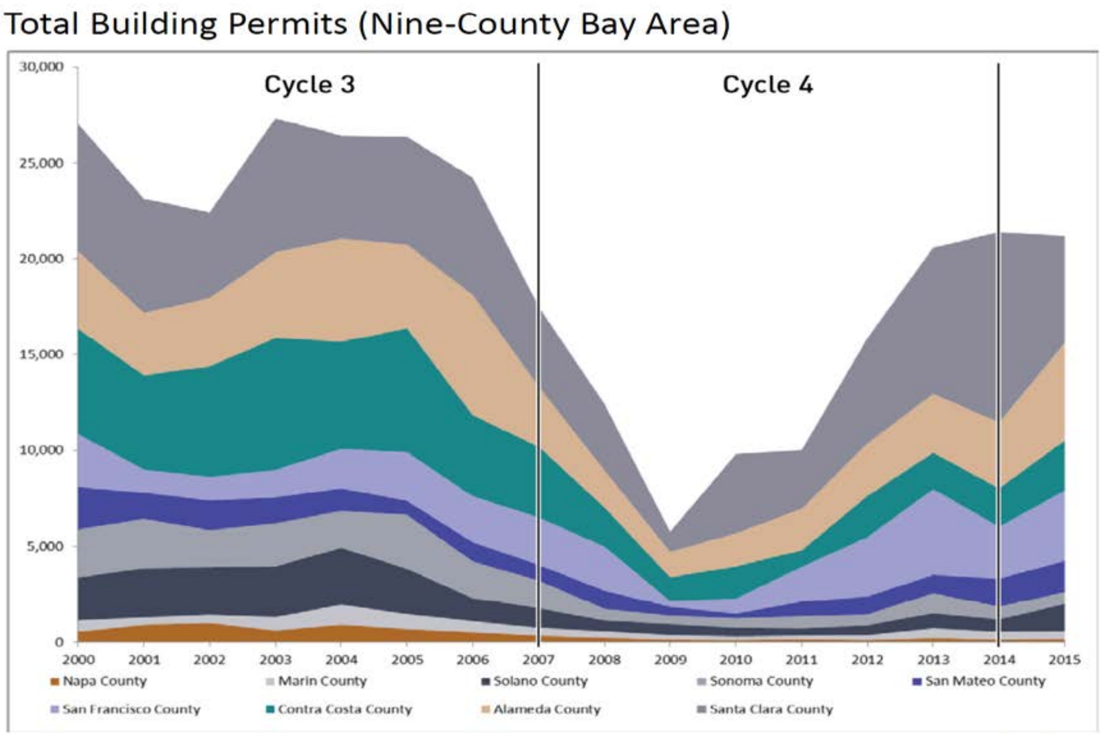
Jurisdictions Not Meeting Thresholds of RHNA Production – Very Low, Low, & Moderate (Better of 1999-2014, or 2007-2014)

% of RHNA	# Not Met	% of Region's Jurisdictions	Jurisdictions	
15%	10	9%	Newark Concord Moraga Martinez Tiburon	Fairfax Burlingame Millbrae Brisbane San Carlos
10%	8	7%	Newark Moraga Martinez Tiburon	Fairfax Millbrae Brisbane San Carlos

Average for all jurisdictions 1999-2014 = 41%


Regional Housing
Needs Assessment
VL, L & M Production Status and
Proposed 2018 RTIP Projects
Administrative Boundaries
Jurisdictions below 15% of VL, L & M target, 1999 - 2014 & 2007-2014
Corridor Project
Transit Project
Stand Alone Project
Napa
Fairfield
Petaluma
Sonoma
Cotati
Suisun City
Rio Vista
American Canyon
Solano
Vallejo
Benicia
Novato
Marin
Hercules
Pinole
Martinez
Pittsburg
Fairfax
San Anselmo
San Rafael
Richmond
San Pablo
Pleasant Hill
Concord
Antioch
Oakley
Brentwood
Ross
Larkspur
Corte Madera
Mill Valley
Tiburon
Belvedere
Sausalito
El Cerrito
Albany
Berkeley
Orinda
Walnut Creek
Clayton
Contra Costa
Lafayette
Emeryville
Piedmont
Moraga
Danville
Oakland
San Ramon
San Joaquin
San Francisco
Alameda
San Leandro
Dublin
Daly City
Colma
Brisbane
South San Francisco
Hayward
Pleasanton
Livermore
Pacifica
San Bruno
Millbrae
Burlingame
San Mateo
Union City
Foster City
Fremont
Hillsborough
Belmont
San Carlos
Redwood City
Newark
East Palo Alto
Half Moon Bay
Atherton
Menlo Park
Palo Alto
Milpitas
Woodside
San Mateo
Portola Valley
Los Altos
Mountain View
Los Altos Hills
Sunnyvale
Santa Clara
Cupertino
Campbell
Saratoga
Monte Sereno
Los Gatos
San Jose
Santa Clara
Morgan Hill

Comparison of Building Permit Activity: Cycle 3 vs. Cycle 4



Source: HUD

STIP Strategy Pros & Cons

The Carrot $46M incentive augmentation ($76 million total) to *80k by 2020* Challenge	
Pros	Cons
• New money for an existing program that has support • Does not affect current or proposed RTIP projects • Larger carrot could exert more influence on municipal behavior • Likely to be more positively received	• Less money for other regional commitments/needs • Leaves programming capacity on the table in the 2018 STIP • Projects must be STIP-eligible and follow STIP rules • Difficult for jurisdictions to change current behavior in two years

STIP Strategy Pros & Cons

The Stick Condition STIP funds on meeting a minimum housing production threshold	
Pros	Cons
• Moves beyond housing promises to housing production • Will get attention of jurisdictions and other stakeholders; with additional SB1 funding, STIP is now robust source ($290 million in 2018 STIP for Bay Area) • Sets precedent for future strengthening of target threshold • Using longer-term data will account for economic cycles	• Weak link between individual jurisdictions and system approach to transportation improvements • Few jurisdictions receive STIP funds so may not create desired change • Little time for public input • Could disrupt prior county commitments

2018 STIP Timeline

- CTC approved statewide guidelines – August 2017
- MTC to approve regional guidelines – October 2017
- MTC to approve regional program – December 2017
  - Due to CTC by December 15
- CTC Approves statewide program, including regional programs – March 2018

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