Metropolitan Transportation Commission

February 25, 2026 **Agenda Item 9a - 26-0206**

Transit-Oriented Communities (TOC) Incentive Program

Subject:

Overview of the proposed $45 million TOC Incentive Program as part of One Bay Area Grant (OBAG) Cycle 4, including the TOC Evaluation Framework.

Background:

Over the past year, staff have worked closely with the Commission, county transportation agencies, local jurisdictions, and other stakeholders to develop a TOC Evaluation Framework that translates the intent of the TOC Policy into a clear implementable framework to support funding decisions, as outlined in MTC Resolution No. 4530. Key themes from discussions at the October 2025 Commission Workshop and November 2025 Commission meeting included the need for greater clarity, increased flexibility, and additional time for jurisdictions to meet TOC Policy standards. In response, staff propose a fully incentive-based program design that rewards completed policies while preserving jurisdictions' access to general OBAG funds.

At its meeting on January 28, 2026, the Commission discussed the overall approach to OBAG 4 implementation and adopted the OBAG 4 Funding Framework (MTC Resolution No. 4740), including a tentative TOC Incentive Program set-aside of $45 million subject to future Commission decisions on TOC Policy implementation. The TOC Incentive Program is intended to encourage adoption of TOC-consistent policies that support housing and transit ridership and target limited funds to jurisdictions delivering meaningful TOC outcomes. In addition, the Commission set aside $5 million for the four North Bay counties to augment OBAG 4 county shares (MTC Resolution No. 4740, Revised), in recognition of the unique transportation needs of rural communities with fewer or no TOC areas.

TOC Policy Evaluation Framework:

Building on the incentive-based approach of the TOC Incentive Program set-aside, staff has also incorporated the following revisions to the proposed TOC Policy Evaluation Framework (MTC Resolution No. 4754, **Attachment A**) that would be used to assess jurisdictions' TOC progress:

- Lower points for minimum and maximum office intensity given post-pandemic office development challenges.
- Lower points for vehicle parking maximums given market challenges.
- Higher points for shared and unbundled parking policies.
- Allowance for a wider variety of funding sources to fulfill housing policy options.

In January 2026, the Chair convened an ad hoc group of Commissioners to further refine OBAG 4 and TOC options for consideration and final action by the full Commission. The ad hoc committee recommended the following actions related to program implementation, adjustments for OBAG 4, and the structure and design of the TOC Incentive Program.

- ***Program Implementation***
    - **Extended Submission Timeline + No Work-in-Progress Credit:** Extend the initial TOC submission deadline by 18 months, to July 1, 2027; given this timeline extension and the fully incentive-based approach, credit would not be given for work-in-progress.
- ***Adjustments for OBAG 4***
    - **SB 79 and TOC Density Standards:** TOC areas subject to SB 79 would receive full credit for the TOC Maximum Allowable Residential Density standard, given that in most cases SB 79 is the same or greater density than TOC requires for this standard.
    - **Housing Protection Policies:** As discussed further in **Attachment 1**, recent changes to state tenant protection laws and expanded county protection programs prompted the Commission to direct staff to reassess how state and county actions should be reflected in TOC credit for OBAG 4. Two options for how to award the maximum eight (8) possible points in this category were generated for Commission discussion:
        - **Option 1: One Local *or* County Action + One Local Action**
            - 4 points for implementing one protection policy, either at the local jurisdiction level or through participation in a countywide program

- 4 points for implementing one protection policy **at the local jurisdiction level only**

- **Option 2: Two Actions at the Local *or* County Scale**
  - 4 points for implementing one protection policy, either at the local jurisdiction level *or* through participation in a countywide program
  - 4 points for implementing one protection policy, either at the local jurisdiction level *or* through participation in a countywide program

- ***TOC Incentive Program***
  - **Eligibility Threshold.** Establish an 85-point minimum to access funds, maintain a strong incentive structure, and provide awards to jurisdictions demonstrating substantial TOC progress (estimated ~10-15 jurisdictions).
  - **Eligible Uses + Distribution:** Funds may be used for any OBAG 4 county-eligible project. Staff recommend a performance-based formula with minimum and maximum awards by jurisdiction size (thresholds can be adjusted in needed).

Recommendation:

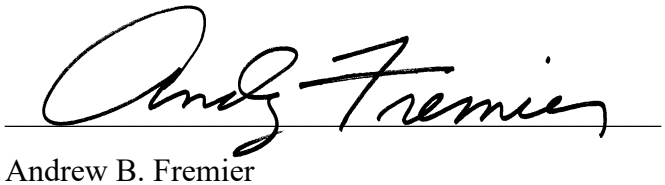
Staff request that the Commission take the following actions:

- **Adopt the TOC Incentive Program (MTC Resolution No. 4754)**, with specific direction on option 1 vs. option 2 for evaluation of TOC housing protection policies.
- **Direct staff to return to the Commission this spring** with amendments to the TOC Policy (MTC Resolution No. 4530) to provide similar flexibility to transit extension projects seeking non-OBAG discretionary funding and to clarify the Commission will further consider the evolving role of the TOC Policy at the start of the next OBAG cycle.

Following the Commission's action, staff would also revise the TOC Policy Administrative Guidance to make consistent with the Commission's actions, increase clarity and flexibility, and improve administrability. **Attachment 2** contains a summary of the proposed changes.

Attachments:

- MTC Resolution No. 4754: TOC Incentive Program
    - Attachment A: TOC Policy Evaluation Framework
    - Attachment B: TOC Incentive Program Guidelines
- Attachment 1: Housing Protection Policy Context and Options
- Attachment 2: Summary of TOC Policy Administrative Guidance Changes
- Attachment 3: Presentation – TOC Incentive Program Adoption



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