

TO: Greenhouse Gas Reduction Fund Program

FROM: Sam Assefa
Director
Governor's Office of Planning & Research

Lynn von Koch-Liebert
Executive Director
California Strategic Growth Council

DATE: *April 15, 2024*

SUBJECT: GREENHOUSE GAS REDUCTION FUND:
California Strategic Growth Council

EXPENDITURE RECORD [*FOR FISCAL YEAR 2024-25**]
Factory-Built Housing Pre-Development Program



CALIFORNIA STRATEGIC GROWTH COUNCIL

This Attestation Memorandum documents that California Strategic Growth Council completed the attached Expenditure Record on *April 15, 2024* for the *Factory-Built Housing Pre-Development Pilot Program*. The Expenditure Record is consistent with the statutory requirements of Government Code Section 16428.9 to support expenditures from the Greenhouse Gas Reduction Fund.

This Attestation Memorandum and Expenditure Record will be submitted to CARB for public posting on [the CARB website](#). Questions on this Attestation Memorandum or Expenditure Record may be directed to [[Lois Kim email](#), (916)324-9775].

Attachment: Greenhouse Gas Reduction Fund: Expenditure Record
 Fiscal Year: 2024-25 Strategic Growth Council
 Factory-Built Housing Pre-Development Pilot Program

A handwritten signature in black ink that reads "Lynn M. von Koch-Liebert".

Lynn von Koch-Liebert
Executive Director
California Strategic Growth Council

Greenhouse Gas Reduction Fund: Expenditure Record

Strategic Growth Council

Factory-Built Housing Pre-Development Pilot Program

Authorizing legislation: Senate Bill 862 (Chapter 36, Statutes of 2014) created the Affordable Housing and Communities (AHSC) Program to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation projects to support infill and compact development, and that support related and coordinated public policy objectives.

Per the California Health and Safety Code 39719 (b)(1)(c), 20 percent of the annual proceeds of the Greenhouse Gas Reduction Fund (GGRF) are continuously appropriated to the Strategic Growth Council (SGC) under the Governor's Office of Planning and Research (OPR) for the AHSC Program. The broader AHSC Program is comprised of two specific components: the Affordable Housing and Sustainable Communities (AHSC) Program, and the Sustainable Agricultural Lands Conservation (SALC) Program.

During the October 2023 SGC Council Meeting, the Strategic Growth Council (the Council) adopted a resolution to direct staff to develop a pilot funding program that supports the expansion of energy efficient factories that build factory-built housing (FBH) in California to increase supply of housing units, reduce greenhouse gas emissions, and expand clean energy infrastructure.

This program will support FBH manufacturers applying for US Department of Energy Loan Programs Office (LPO) financing to expand or establish new manufacturing facilities in California. The pilot program will provide financial support for pre-development activities to help FBH manufacturers prepare their LPO applications.

Element (1) A description of each expenditure proposed to be made by the administering agency pursuant to the appropriation.

Agency that will administer funding:

Strategic Growth Council

Amount of proposed expenditure and appropriation reference:

- The total expenditure is \$12 million for grants to support the development of energy-efficient factory-built housing in California. The source of funding is from AHSC continuously-appropriated funds.
- Per the California Health and Safety Code 39719 (b)(1)(c), 20 percent of the annual auction proceeds from the Greenhouse Gas Reduction Fund (GGRF) is continuously appropriated to the SGC under the Governor’s Office of Planning and Research (OPR) for the broader AHSC Program.
- The 20 percent appropriation supports local assistance programs as detailed in SB 862, which created the broader Affordable Housing and Sustainable Communities Program.
- In October 2023, the Council adopted a resolution to direct staff to develop a pilot funding program that supports the expansion of energy efficient factories that build factory-built housing in California to increase supply of housing units, reduce greenhouse gas emissions, and expand clean energy infrastructure.
- **This Expenditure Record specifically addresses funds for the Factory-Built Housing (FBH) Pre-Development Pilot Program.** An Expenditure Record for the AHSC Program is established separately.

Estimated amount of expenditures for administering agency administrative costs:

There is no anticipated expenditure for administrative costs.

If applicable, identify laws or regulations that govern how funds will be used:

- SB 862 established the AHSC program and provides direction on how the funds will be allocated to recipients, including requirements for project eligibility and program implementation.
- AB 1532 (Pérez, Chapter 807, Statutes of 2012), Senate Bill (SB) 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), SB 862 (Budget and Fiscal Review Committee, Chapter 36, Statutes of 2014), and AB 1550 (Gomez, Chapter 369, Statutes of 2016) provide the general framework for how the auction proceeds will be administered to further the purposes of AB 32.
- Funding Guidelines from the California Air Resources Board allow for program funds to be used for technical assistance and capacity building.

Continuation of existing Expenditure Record

This is a new program that does not have an existing Expenditure Record.

Project Type(s)

- Capacity building
- Community engagement, including the development of a Community Benefits Plan
- Pre-development activities, such as research, development, and preparation of permits and approvals, project construction plans, architectural drawings, operation and maintenance plans, market analyses, and financial models

Describe the projects and/or measures that will be eligible for funding

The FBH Pre-Development Pilot Program will support projects that are developing applications to the U.S. Department of Energy Loan Programs Office Title 17 Clean Energy Financing Program Part II Application to build new and/or expand, retrofit, or repurpose existing factory-built housing factories in California that produce an energy-efficient end-use product and prioritize co-benefits such as energy-efficiency, affordability, and workforce development.

Eligible costs and activities include those needed to prepare the Part II Application, including community engagement to develop a Community Benefits Plan, financial and business plan preparation, and pre-development planning.

Intended recipients

- Non-profit organizations
- Businesses

Program structure and process for selecting projects for funding

The process for selecting projects for funding will be through a competitive rolling process, based on the merits of applications submitted and the proposed use of funds.

Element (2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.

How the expenditure is consistent with the Investment Plan and the Scoping Plan

The program furthers the priority in CARB's Fourth Investment Plan to "fund investments in key sectors that support GGRF statutory priorities and drive progress on state climate goals," by supporting activities that will lead to the creation of energy-efficient means of housing production and energy-efficient housing units. The program also funds capacity building and community outreach and engagement as part of its program goals to advance equity, promote environmental justice, foster community participation, and create high-quality workforce development opportunities and jobs.

In alignment with the 2022 Scoping Plan, this program builds capacity to support applicants pursuing energy and technology transitions in the housing sector, while prioritizing equity, environmental

justice, and the creation of high-quality jobs in the communities within and around each project location.

Element (3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Describe how expenditures will facilitate the achievement of GHG emission reductions in the State

This program will facilitate the achievement of GHG emission reductions in the State by fostering the creation of energy-efficient factories for factory-built-housing and their energy-efficient end use products. These activities will also facilitate GHG emission reductions by requiring fewer vehicle miles traveled in their supply chains.

The means by which this program will facilitate GHG reductions is by funding activities that help applicants to the LPO program develop competitive applications. These activities may include the development of a Community Benefits Plan, infrastructure planning, site feasibility analysis, architectural costs, and more.

Explain when GHG emission reductions and/or co benefits are expected to occur and how they will be maintained

If the grantees of this pilot program are successful in receiving financing from the LPO program, GHG emissions reductions will be realized through the energy savings of factory-built housing over traditional site-built housing. Because these GHG emission reductions are expected to occur as a result of the LPO financing, not this pilot program, GHG emission reductions for this program will not be quantified.

The co-benefits of this pilot program, such as job creation, may be realized during the pre-development phase and throughout the operations of the facility.

Where co-benefits occur as a direct result of the funding provided by this program, they will be measured and reported in accordance with CARB's 2018 Funding Guidelines.

Element (4) A description of how the administering agency considered the applicability and feasibility of other non-greenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency

This expenditure will provide capacity building and pre-development support that will lead to community engagement to develop a Community Benefits Plan, site evaluation and infrastructure management to build an energy-efficient factory and housing units, boost local economy, and advance diversity, equity, inclusion, and accessibility in the local workforce.

How the project will support other objectives of AB 32 and related statutes

- This project will support additional objectives of AB 32 such as
 - Foster job creation

- Provide opportunities for small businesses, schools, affordable housing associations, and other community institutions to participate in and benefit from statewide efforts to reduce GHG emissions
- Lessen the impacts of climate change
- The project will support AB 1532 objectives such as
 - Strategic planning for sustainable infrastructure, including transportation and housing.
 - Research, development, and deployment of innovative technologies and practices.
- The Statewide Housing Plan calls for California to plan for more than 2,500,000 million homes by 2030, with over 1,000,000 of those homes affordable to lower-income households. Projects that successfully access federal funding through SGC's Pre-Development Grant will help accelerate the supply of housing in California at more efficient speed and lower cost compared to stick-built construction.
- The factory and housing produced will also be built to the standards of CalGreen, the first-in-the-nation mandatory green building standards code with goals of energy efficiency, water efficiency and conservation, material conservation and resource efficiency, and environmental quality.

Percentage of total funding that will be expended for projects that are located in and benefit priority populations¹ per CARB guidance

The program does not have a dedicated percentage for projects that are located in and benefit priority populations.

Describe the benefits to priority populations per CARB guidance

Projects will fund activities that enable factory-built housing factory owners to identify and evaluate ways their factories can deliver benefits for residents of disadvantaged or low-income communities, and low-income households surrounding their factory site.

Explain strategies the administering agency will use to maximize benefits to disadvantaged communities

The program will provide funding for applicants to evaluate and mitigate potential negative impacts of their project to surrounding communities and engage with them to develop benefits and workforce opportunities. To help maximize benefits to disadvantaged communities, SGC is funding diverse community engagement activities like translation and interpretation, participant compensation, and provision of transportation services and childcare services to ensure the outreach is meaningful and effective.

¹ Priority populations include residents of: (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535; (2) census tracts identified as low-income per AB 1550; or (3) a low-income household per AB 1550. See Section VII.B Funding Guidelines for more information on the definitions of priority populations.

Projects that meet disadvantaged community benefit criteria and demonstrate that the project will meaningfully address an important community need will receive additional points in scoring.

Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities or, if unknown, explain the process for identifying and avoiding potential substantial burdens

The program requires applicants to evaluate the potential impact of the factory to the surrounding communities, identify potential burdens or negative impacts, and commit to mitigation efforts. Applicants must also utilize the grant to develop Community Benefit Plans which will facilitate benefits for the surrounding community. Applicants must identify if the project is impacting federally defined Justice40 disadvantaged communities and/or California Climate Investments Priority Populations

Element (5) A description of how the administering agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

How the administering agency will track / report progress to make sure projects are implemented per requirements in statute and CARB guidance

SGC will require funding recipients to maintain records and submit quarterly status reports. In addition, SGC will conduct periodic reviews of all projects. If a funding recipient does not perform in accordance with program requirements, the recipient will be subject to remedies for non-performance, as identified in the program guidelines and grant agreement. Progress will be reported pursuant to CARB's Funding Guidelines for capacity projects.

Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion

These funds have been approved for expenditure by the SGC Council for capacity building services to apply for the DOE Title 17 program. If the projects receive DOE funding, the project will result in GHG emission reductions through the production of an energy-efficient factory that produces energy-efficient housing units. The projects will also be required to report GHG quantification for the DOE. As such, SGC will track and report the project's success in receiving federal funding and the results.

Type of information that will be collected to document results, consistent with CARB guidance

SGC will collect any necessary data to document capacity building and the potential reduction of GHG emission reductions in accordance with CARB's Funding Guidelines, quantification methodology and other guidance. This may include but is not limited to information on:

- Project geographic area;
- Applications to the DOE Title 17 program and funds received as a result of the capacity building provided;
- Workforce benefits;
- Other project benefits or results; and
- Project accomplishments, including benefits to disadvantaged communities.

How the administering agency will report on program status

The administering agency will report to CARB consistent with CARB guidance. The administering agency will provide regular updates on the program, including expenditure amounts and program benefits, as applicable (e.g., jobs supported, equity-focused outreach activities, etc.).