June 29, 2015

Mary Nichols, Chair
California Air Resources Board

Re: Comments on Discussion Draft of Funding Guidelines for Agencies that Administer California Climate Investments

Dear Chair Nichols and Air Resources Board Members:

The SB 535 Coalition and partner organizations across the state welcome the opportunity to provide comments on the Discussion Draft of the **Funding Guidelines for Agencies that Administer California Climate Investments**. We recommend several ways to strengthen the Guidelines to ensure that California Climate Investments maximize environmental, economic and public health co-benefits for California's most disadvantaged communities and households. (We previously submitted, on June 22, 2015, a separate letter detailing our concerns with the proposed public participation process for adoption of these guidelines and do not raise those procedural concerns here.)

We offer several recommendations for strengthening the substantive considerations at each step of the process detailed in Volume I, which requires development of an expenditure record prior to expending project funds, public outreach and robust annual reporting requirements. We recommend several key ways to strengthen Volume II's approach for maximizing direct meaningful and assured benefits to disadvantaged communities. Finally, we recommend several ways to improve the data collection in Volume III's reporting requirements.

I. Require SB 535 Investments to Demonstrate how they Address Priority DAC Needs.

We agree with the Guidelines that project proponents and administering agencies should be required to show how SB 535 Climate Investments provide benefits that address priority DAC needs.[1] However, to fully implement this principle, Volume 2 should set forth a clear process requiring a demonstration of how the eligibility criteria chosen are responsive to a priority community need. Projects 'located within' DACs should be required to reference either CalEnviroScreen indicators or high priority needs identified through community outreach conducted at either the program or project level. Projects that 'provide benefits' to DACs should reference common needs in DACs. Appendix 2.A should be amended to require a demonstration of how the criteria selected and the benefits provided will meet important community needs.

II. Ensure Benefits for Low-income Households.

Volume 1 requires all agencies receiving GGRF funds to "maximize benefits to disadvantaged communities, wherever possible." (p.21) However, AB 1532 directs GGRF investments to both "disadvantaged communities **and** households." This distinction is important because the disadvantaged households in any community are the most in need and should gain the most from

[1] "Describe efforts to address common needs in disadvantaged communities or specific needs identified by community residents or representatives." (p.32)

investments seeking to maximize benefits to DACs. ARB could facilitate this approach by defining "disadvantaged household" based on the socio-economic indicators in the CalEnviroScreen and encourage agencies to target the benefits of Climate Investments toward disadvantaged households both within DACs and across the state. As AB 1532 applies to both investments that qualify for SB 535 and those that do not, ARB should encourage agencies to provide additional incentives for projects that don't qualify for SB 535 but provide benefits to disadvantaged households.

Most importantly, projects that receive SB 535 funding should provide benefits predominantly to low-income residents and households. Not all residents of relatively disadvantaged areas are socio-economically disadvantaged. Projects that are located within DACs should be required to carefully target benefits to the neediest households, ensuring these residents are the primary beneficiaries. While, some SB 535 programs are expressly targeted to low-income residents or households, in <u>all</u> other cases, the final Guidelines should direct agencies to require project sponsors to demonstrate that the overwhelming majority of beneficiaries will be low-income. For example, a transit project located in a zip code containing a disadvantaged census tract should be required to demonstrate that it predominantly benefits disadvantaged households through careful analysis of transit ridership.

a. <u>Reconsider Proximity Requirements</u>.

ARB should reconsider its proximity requirements for projects that provide benefits to DACs. When carefully designed, some projects that occur outside of DACs can provide substantial benefits to members of DACs. Urban forestry projects occurring at Title I Schools should be eligible to provide benefit to DACs. While these schools may not always be located within a half-mile of a DAC, they serve the children of those DACs. A tree-planting project or community garden that provides fresh fruit and vegetables to these underserved students unquestionably provides a benefit to DAC residents.

Likewise, affordable housing for low-income, very low income & extremely low income households should be built in high opportunity areas such as jobs centers, not merely in or within a half-mile near disadvantaged communities. Affordable housing near jobs centers helps reduce VMT by giving low-wage workers the opportunity to live near where they work. In fact, affordable housing is especially beneficial in high-opportunity neighborhoods near transit stations as it increases choices, mobility, and access to opportunities for disadvantaged households. Table 2-2's list of common DAC needs includes the need for "jobs and housing closer together (e.g., affordable housing in transit-oriented development and in healthy, high-opportunity neighborhoods." (p.13) Furthermore, research indicates that there are "significant barriers in developing affordable housing in high opportunity, transit-rich neighborhoods."[2] Despite this need, Appendix 2.A. limits affordable housing projects to those within ½ mile of a DAC, meaning that affordable housing in opportunity neighborhoods is simply not contemplated by the framework. To maintain a clear connection to DACs, SB 535 affordable housing projects could grant occupancy preferences to residents of disadvantaged communities.

[2] Mariam Zuk, Ph.D. and Ian Carlton, Ph.D., "Equitable Transit Oriented Development: Examining the progress and continued challenges of developing affordable housing in opportunity and transit-rich neighborhoods," Poverty & Race Research Action Council, Civil Rights Research, March 2015, p.4.

III. Require Multiple & Significant Co-Benefits.

As an approach for maximizing benefits, the Guidelines should require all SB 535 projects to provide a minimum of two co-benefits to be eligible. Appendix 2.A's current approach explicitly relieves agencies of the need to seek more than one co-benefit per project. Although the Guidelines need built-in flexibility, their primary purpose is to incentivize projects that maximize co-benefits to DACs. One small step in this direction would be requiring more than one Appendix 2.A eligibility criterion for SB 535 investments. The Guidelines suggest that "to the maximum extent feasible, administering agencies should work together to provide multiple benefits" (p.21) and gives agencies the direction to "favor projects which provide multiple benefits or the most significant benefits." If SB 535 projects were explicitly required to provide multiple co-benefits, this would provide agencies with a stronger incentive to seek opportunities to leverage resources to provide multiple co-benefits.

If ARB continues to require only one co-benefit per project, this might have the effect of a race to the bottom. For example, the Affordable Housing and Sustainable Communities Guidelines do not award additional points for integrating co-benefits such as urban forestry and active transportation. They also have the unintended effect of dis-incentivizing deeper affordability because they over-emphasize GHG reductions per dollar at the same time. Very-low income and extremely-low income units require more funding than market rate units, so the more competitive projects were those with a minimum inclusion of affordability. Agencies have to do more to include co-benefits in the "bang for your buck" equation, or else they will end up being minimized. To maximize the benefits provided by SB 535 projects, the Luskin Report recommended a "performance management approach" using ranking/scoring systems to prioritize smart and equitable investments that provide multiple, significant benefits. This type of prioritization is also reflected in the "best-value contract" model. The purpose of these approaches is to create the conditions for a race to the top, where project applicants find innovative ways to maximize the benefits that each investment provides. This is an explicit strategy to get the most out of the dollars that are directed at California's severely under-resourced communities.

Additionally, ARB should update Appendix 2.A's criteria to ensure that each one represents a minimum threshold of significance. Appendix 2.A. should also include criteria responsive to each of the needs commonly identified by DACs. Investments would qualify for SB 535 by meeting two criteria and agencies would award to projects that exceed the minimums.

IV. Provide More Direction and Approaches for Maximizing Benefits.

Volume 1 also requires all administering agencies to include "approaches for maximizing benefits" in their guidelines and solicitation materials. We appreciate that all agencies are encouraged to use "anti-displacement policies, targeted funding, outreach to engage community residents and representatives and eligibility requirements or scoring criteria that encourage projects to benefit disadvantaged communities" (p.31) in order to maximize benefits to DACs. Unfortunately, while each of these practices are essential for maximizing benefits, Volume 2 does not provide sufficient details on how these approaches can be consistently utilized by administering agencies. We urge ARB to provide more guidance on each of these maximization strategies in Volume 2.

One maximization approach that the Guidelines do not address is the need to consider the **net benefits** provided by a project after considering possible adverse impacts to the community. SB 535 projects should **avoid increasing public health or other burdens** in already overburdened DACs.

Similarly, displacement of socio-economically disadvantaged populations from investment areas is an adverse impact that reduces the benefits to these households. By providing clear direction on anti-displacement strategies that can be utilized by all California Climate Investments, the Guidelines will improve agency response to this critical concern. For example, the Guidelines should require as a baseline that GGRF investments do not cause a net loss of homes currently occupied by lower-income households. Agencies should also award additional points to projects that incorporate robust community benefits agreements or project labor agreements.

V. Strengthen Jobs, Job Training and Reporting.

We fully support the comments submitted by the Donald Vial Center on Employment in the Green Economy at the University of California Berkeley.

The GGRF statutes not only call for the funds to "maximize economic . . . benefits to the State," they further direct the implementing agencies to "foster job creation by promotion in-State GHG emission reduction projects carried out by California workers and businesses." (Vol.1, p.15) It is critical that GGRF investments "result in jobs and job training as a component of funded GHG-reducing projects," (p.22) not only "wherever possible," but **to the maximum extent feasible**. We also urge ARB to include a guiding principle that directs agencies to implement wage and skill standards that will enable the creation of good jobs and a skilled workforce.

To maximize benefits to disadvantaged communities, all Climate Investments should be encouraged to employ targeted and local hiring and training of workers from disadvantaged households to the maximum extent feasible. (This should not, however, be the sole eligibility criterion for SB 535 funds. To qualify for SB 535 funds, a project should provide additional co-benefits outlined in Appendix 2.A.) ARB should direct administering agencies to prioritize projects that meet baseline targets to increase access to good jobs and training for disadvantaged workers. ARB should also direct administering agencies to prioritize projects that meet baseline wage and skill standards, which will help to ensure good quality jobs and good quality work that maximizes greenhouse gas emission reductions and other co-benefits. ARB should direct administering agencies to work with relevant stakeholders to identify appropriate wage and skill standards and targets for hiring and training workers from disadvantaged communities and households.

In addition to data on the number of jobs provided, all GGRF programs that result in jobs or jobs training should provide data about the **quality** of jobs that were funded by California Climate Investments. In order to measure job quality, ARB should collect data on entry-level and median hourly wages or entry-level and median total compensation (hourly wage plus benefits) for each job classification/trade. Reporting requirements should also track the contracting dollars that went toward disadvantaged business enterprises such as small business, and businesses owned by women and minorities.

VI. Increase Transparency

While we appreciate that the Guidelines request that "both program and project-level status and outcomes . . . be easily accessible to the public" (see Vol. 1, p.23) this component should be made more robust. Administering agencies should be required to make project applications and proposals public via the internet, to enable community members to see what is proposed and weigh in if desired. Because there currently are no standardized quantification methods, members of the public desire as much information as possible about how different entities are quantifying co-benefits.

VII. <u>Quantification of Co-Benefits</u>.

We acknowledge that ARB has not yet developed quantification methodologies. Quantification of co-benefits is necessary for standardized reporting and to the creation of consistent standards for measuring the significance of the benefits provided. We are glad to see ARB's ongoing commitment to quantifying the co-benefits provided by Climate Investments and we will continue participating in the development of robust methods quantification methods.

VIII. ARB should Increase Minimum Percentage of GGRF Dedicated to Disadvantaged Communities.

The intent of SB 535 is to direct investments to disadvantaged communities in excess of their share of the population, in order to address the historic and ongoing burdens of pollution and under-investment those communities have long suffered. ARB should not count the 10% of investments that must be located within DACs as a subset of the 25% required to benefit DACs. (see Vol. 1, p.6) Rather, ARB should require at least 10% of SB 535 investments to be located within DACs and an additional 25% to provide benefits to disadvantaged communities and households resulting in a minimum of 35% set aside for DAC benefits.

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Incorporating these recommendations will help increase our potential to achieve the significant environmental, public health, and economic outcomes outlined in AB 32 and SB 535 and ensure that SB 535 investments credited as benefitting disadvantaged communities maximize benefits for our communities with the greatest need.

Sincerely,

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