



June 29, 2015

Chairman Mary D. Nichols and Executive Officer Richard Corey
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Chairman Nichols and Executive Officer Corey,

On behalf of Enterprise Community Partners Northern California, we write to share our appreciation and provide comment on the recently released Greenhouse Gas Reduction Fund draft Guidelines. Enterprise is a national nonprofit with two offices that serve public and private community development partners throughout Northern and Southern California. Our mission is to create opportunity for low- and moderate-income people through finance and capacity building to create affordable housing in diverse, sustainable communities.

Enterprise Community Partners of Northern California appreciates the diligence with which the Air Resources Board (ARB) determines funding requirements for the Cap and Trade Auction Proceeds. We salute the Board's commitment to invest GGRF resources (California Climate Investments as of July 1) in projects that achieve tangible environmental, economic, public health and public policy goals.

Overall, the Cap-and-Trade Auction Proceeds Funding Draft Guidelines align with our understanding of program goals and are thoughtful. The feedback herein aims to strengthen the clarity of funding applications, impact of investments and the capacity of our state to reduce pollution. Our suggestions are informed by the intensive policy and technical assistance work Enterprise Northern California undertook to support cities, developers and transit agencies for the first year of the Affordable Housing Sustainable Communities (AHSC) program. Those collaborations with public and private applicant teams underscore the need to ensure funding guidelines are clear in order to achieve GHG reduction and equitable distribution of resources.

Comments on Volume I: General Guidance

- **Proactive steps must be taken to facilitate greater coordination and fund leveraging amongst different administering agencies. ARB should develop a detailed training plan and cross-agency communication protocol. If representatives from all the different agencies administering GGRF resources know the key requirements and options of all other Cap and Trade programs, it is likely to result in the formation of more diverse teams working on more dynamic, large-scale projects.**

REFERENCE: Chapter IV, Page 21: Coordinating investments and leveraging funds. To the maximum extent feasible, administering agencies should seek opportunities to work together to provide multiple benefits. Several agencies could coordinate and leverage their resources to combine GGRF funding for a project or to fund multiple related projects in a particular area.

- **The list of "common elements" in all guidelines and selection materials should be expanded to encourage more cross-sector teams and provide transparency. The seventh element that should be added will address**

GGRF/California Climate Investment disbursement procedures and liability for all public and private co-applicants. Addition of such information in all program guidelines will enable greater collaboration between private developers and public agency partners (city departments, water districts, transit agencies, etc.) because they can determine what an award would mean from a legal and fiscal perspective. By supporting more cross-sector partnerships, there is a greater chance for project applications to be larger in scale and scope – thus enabling greater GHG reduction per GGRF dollar invested.

REFERENCE: Chapter VI, Page 30 “Guidelines and Solicitation Materials” defines 6 common elements that each administering agency needs to address when developing guidelines and solicitation materials for project selection. Those six are: GHG Reduction requirements; maximizing benefits to DACs; mandatory GHG quantification methods; Application Process and Selection overview; description of project impact tracking and metrics and reporting requirements.

- **Given that GHG reduction is the central requirement of all GGRF investments, ARB and partner agencies must ensure that GHG quantification tools and trainings are widely advertised and accessible to prospective applicants. All mandated quantification tools should be easy to use by diverse applicants and well matched for the project types being measured. If tools are exceedingly complex, ill-matched or overly laborious for beginner applicants to use in the short application timeframe, administering agencies should permit use of similar quantification tools, and provide notification of that option. Agencies uninterested in permitting use of different quantification tools should conduct public feedback sessions. Feedback on the challenges and attributes of their mandated tool and its score allocations should inform future adjustments.**

For example, the AHSC program relies on the CalEEMod tool which is foreign to most applicant teams and was deemed very challenging to use. As such, most teams hired consultants to determine their project calculations. This is an avoidable cost that if unaddressed, could deter some from proposing projects altogether. Similarly, score determination in CalEEMod did not incentivize larger-scale projects (districts or corridors) or allocate points for all the project features that have tangible impacts on GHG reduction. Organizations like Transform and California Housing Partnership Corporation have extensive information on the shortcomings of the CalEEMod model and how it negatively impacts entire AHSC applications. Please refer to their works for more information on the need to change quantification tools.

REFERENCE: Chapter IV, Page 21 “Investments may only support planning activities for achieving GHG reductions if the planning component is directly tied to a project that results in quantifiable GHG reductions, furthers the purposes of AB 32, and results in a product that will achieve GHG reductions when implemented.”

REFERENCE: Chapter IV, Page 23 “Information on funding opportunities and GHG quantification should be easily accessible to potential applicants, including those in disadvantaged communities”

- **During the initial years of all Cap and Trade programs, administering agencies should solicit annual feedback on application scoring structures. Agencies with a majority of negative feedback will work with ARB to develop and/or refine quantification methodologies for their project types, so that they are more rational and enable credit to be given in appropriate accordance with the project’s proposed feature.**

REFERENCE: Chapter V, Page 26 states that, “ARB has a statutory role to develop guidance on quantification methodologies for agencies that receive GGRF appropriations. Before selecting the type of projects that will be funded, agencies should consult with ARB on quantification methodologies. ARB will work with agencies to develop quantification methodologies for their project types that do the following:

- *Support calculating the estimated GHG reductions and applicable co-benefits for individual projects;*
- *Apply to the project types proposed for funding;*
- *Provide uniform methods that can be applied Statewide and are accessible by all applicants;*

- Use existing and proven tools or methodologies, where available;
- Include the expected time frame for when GHG reductions and co-benefits will be achieved; and
- Include the appropriate data needed to calculate net GHG benefits.

Comments on Volume II: Investments to Benefit Disadvantaged Communities (DAC)

- **Most, if not all, of the activities described as ‘recommendations’ to Maximize Funding to Benefit Disadvantaged Communities should become CCI requirements to ensure that all applicants make sufficient efforts to invest the resources in the communities most afflicted by poor economic and social indicators.** ARB could ensure administering agencies’ compliance with at least one of these requirements through a basic reporting form and signature box in all annual reports. A modest change like this will help ARB realize your investment goals and will ensure that CCI projects genuinely address or consider local community needs.

REFERENCE: Chapter V, page 14

- **To ensure targets for California Climate Investments in DACs are fully realized, all narrative and illustrative materials the ARB uses to describe the process for Implementing SB 535 should explicitly encourage agency outreach and coordination with DACs.** This suggestion especially applies to ARB charts and diagrams, such as diagram Figure 2-1: Process to Implement SB 535 for FY 2013-14 to FY 2015-16 Appropriations. Given the complex nature of GGRF/CCI program applications, many prospective applicants rely on the provided diagrams and charts. As such, all illustrative materials should always include “Outreach to DAC” as a critical step in the fund administration process. Complementary narratives outlines best practices for engaging stakeholders in DACs should accompany such guidelines.

REFERENCE: Chapter V, see diagram on page 10

Comments on Volume III: Reporting Requirements

- **All the proposed reporting requirements should be enhanced to compel administering agencies to share annual reports with the public.** Reports on the achievements of CCI projects should be widely available online and presented in select workshops in Northern and Southern California locations to support peer learning and industry capacity building.
- **All reports should collect information on challenges and lessons learned.** End of Year reports should include a section on “Project Challenges”. Similarly, all Project Closeout reports should include a section on “Project Challenges” and one on “Lessons Learned”. By collecting and subsequently sharing this information with interested parties, ARB will extend the usefulness of CCIs past specific projects onto a broader knowledge-building realm. REFERENCE: appendix 3.A A-15 and A-16

Sincerely,



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Enterprise Community Partners



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