August 19, 2015

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

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

Dear Chair Nichols and Air Resources Board Members:

The SB 535 Coalition and partners welcome this opportunity to provide additional comments on the Draft Funding Guidelines for Agencies that Administer California Climate Investments, released June 16, 2015, and the Supplement, released July 16. We commend ARB's timely response to public comment and decision to provide more time for meaningful public participation.

Our comments here build on the concerns raised in our previous comments and respond to the Supplement's proposed additional language. We are encouraged to see the new transparency requirements and a move toward providing stronger direction to administering agencies on how to maximize benefits to disadvantaged communities. The Supplement contains many welcome additions including, additions to Table 2-2 (e.g., addressing increased access to community assets, encouraging use of community benefits, project labor agreements, anti-displacement policies and limiting exposure to pesticides), new provisions for technical assistance, and others.

We continue to urge ARB to do all that is necessary to fully realize the statutory mandates of AB 1532 (2012) and SB 535 (2012) and achieve significant benefits that address disadvantaged community needs. To achieve these goals, *at a minimum*, the Guidelines should (1) require all SB 535 investments to address high priority disadvantaged community needs as an eligibility requirement (2) concretely require agencies to prioritize the SB 535 investments that provide the most significant benefits to disadvantaged communities (3) ensure more benefits are targeted to the neediest end-users, and (4) provide clear prohibitions on direct displacement and strategies for avoiding economic displacement.

Require all SB 535 investments to address high priority disadvantaged community needs.

The proposed final Guidelines include several laudable changes that are consistent with an overarching requirement that <u>all SB 535 investments meet priority needs in disadvantaged communities</u>, but they stop short of including that specific requirement. The final Guidance should correct this omission by stating unequivocally that every SB 535 dollar must address an important community need.

For instance, the draft Guidelines require all administering agencies to “describe efforts to address common needs in disadvantaged communities or specific needs identified by community residents or representatives” in their guidelines and solicitation materials. (Vol.1, p.32.) That is an appropriate requirement; but describing those efforts only makes sense in the context of an overarching requirement that investments meet those specific needs.

Similarly, the new proposal that agencies award extra points to projects that meet community needs (Supplement, p.4) – while it is appropriate for non-SB 535 investments – should not be part of the SB 535 guidance. Rather, “address[ing] an important community need” identified by a disadvantaged community should be a threshold requirement that every investment that counts toward SB 535. Once meeting community needs becomes a baseline requirement, individual projects that demonstrate strong community support for and involvement in their project proposal should receive funding priority.

Concretely require agencies to prioritize the investments that provide the most significant benefits to disadvantaged communities.

The Guidelines identify two, equally important, objectives that apply to maximizing benefits: maximizing the <u>percentage of GGRF allocations</u> for projects that benefit disadvantaged communities and giving <u>selection priority</u> to projects that maximize benefits, “e.g., use scoring criteria that favors projects which provide multiple benefits or the most significant benefits…” (Vol. 2, p.9) Both objectives are equally important and necessary to address the chronically underserved condition of the most disadvantaged census tracts in California. The Guidelines, however, defer development of a more robust protocol requiring agencies to prioritize projects that provide multiple benefits or the most significant benefits, until after ARB develops methodologies for quantifying co-benefits. Instead of this approach, the Guidelines should require agencies to develop and implement strategies for achieving both objectives, to be continuously refined as calculation protocols become more robust.

We are pleased and supportive of the approach included in the supplemental text requiring agencies to provide details about the **strategies they will use to maximize**

disadvantaged community benefits on each Expenditure Record. To make this approach as robust as possible, agencies should be required to address both maximization objectives -- both strategies to maximize the percentage of projects that benefit disadvantaged communities and strategies for prioritizing the projects that provide multiple and or significant co-benefits. Describing these crucial strategies for maximizing benefits to disadvantaged communities before specific projects are selected and making this information available to the public, enables the public to be engaged in refining and improving maximization strategies and ensuring accountability.

The Expenditure Record should be further strengthened by requiring agencies to describe how the benefits provided will be responsive to community needs. A key component of maximizing benefits is prioritizing the investments that significantly meet priority community needs. It is important for administering agencies to identify and follow robust approaches that prioritize the investments most advantageous to the disadvantaged community they aim to benefit.

Finally, to ensure that SB 535 investments meet the statutory mandate to maximize co-benefits, Appendix 2.A should be amended. In addition to meeting one of the eligibility criteria, all SB 535 investments must: (1) meet priority disadvantaged community needs and (2) provide multiple and/or significant co-benefits.

Target investment benefits to the neediest households to implement AB 1532.

AB 1532 directs GGRF investments to both "disadvantaged communities **and** households." (Health & Safety Code section 39712). This mandate is important when applied to SB 535 investments as well as to the entire Fund. To determine who benefits from California Climate Investments both within DACs and in other areas of the state, we need to focus on the end users of the investments, e.g., transit riders, park-goers. All projects, including projects located within disadvantaged communities should carefully target the benefits to the most disadvantaged households residing within those communities.

Additionally, AB 1532 applies to both investments that satisfy SB 535's minimum set asides and those that do not. We recommend that the Guidelines include provisions that encourage agencies to provide additional incentives for projects that don't qualify for SB 535 but do provide benefits to disadvantaged households.

Provide clear prohibitions on direct displacement and incentivize strategies for avoiding economic displacement

"Direct/physical displacement" occurs when people are forced to move due to demolition or building rehabilitation of their homes. "Indirect/economic displacement" results when existing residents are priced out by rising rents, forced to move because of no-fault evictions, properties are converted from rental to ownership, or otherwise compelled to move involuntarily.

Protections against both types of displacement are essential to GHG-reduction. For example, housing demolition that forces lower income households to move away from transit hubs greatly increases the likelihood they will rely on higher-polluting cars as a primary transportation mode.[1] It can also lead to a decrease in transit ridership as higher-income households move into transit-adjacent locations and use transit at lower rates, thereby undermining the state's GHG reduction goals and reduces the value of public transit investments.[2] Conversely, providing opportunities for these families to continue living near an expanding transit system supports it long-term with reliable ridership. This is the ideal outcome, both for social policy and for GHG emission reductions.

For these and other reasons, we recommend that <u>all</u> GGRF investments, including, but not limited to, those made to satisfy SB 535's set-aside, include strong protections against both physical and economic displacement.

The Guidelines and Supplement begin to address this issue in the context of SB 535 investments, but they must go further to effectively address displacement. We appreciate that avoiding negative impacts such as displacement or increased public health risks is identified as a key strategy for maximizing benefits to disadvantaged communities (Supplement, p. 5) and that anti-displacement strategies are identified in the chart of common disadvantaged community needs (Supplement, p. 6). Displacement of disadvantaged households or small businesses does severely undermine the benefits to disadvantaged communities.

While the identification of displacement as an area of concern is a strong step forward, the displacement crisis requires strong action, not simply supportive language. In their current form, the Guidelines do not clearly enough prohibit or mitigate displacement within DACs or guarantee anti-displacement protections for the millions of lower income households living outside DACs. We strongly recommend that any state agency receiving GGRF funds should draw on the best practices that have been developed by cities, counties and regions throughout the state to design programs that avoid displacement whenever possible and mitigate any displacement that is unavoidable. Each agency expending GGRF funds should require that funded projects:

- Be designed to avoid a net loss of homes currently or recently occupied by low-income households;
- Comply with model relocation and replacement requirements developed after decades of wide-spread displacement under redevelopment; AND

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[1] *Why Creating and Preserving Affordable Homes Near Transit is a Highly Effective Climate Protection Strategy* (TransForm and the California Housing Partnership Corporation, 2014), available at http://www.chpc.net/dnld/AffordableTODResearch051514.pdf.

[2] Stephanie Pollack, Barry Bluestone, and Chase Billingham, *Maintaining Diversity in America's Transit-Rich Neighborhoods: Tools for Equitable Neighborhood Change* (Dukakis Center for Urban and Regional Policy, 2010), available at http://www.dukakiscenter.org/reportsummary.

- Where necessary, avoid risk of economic displacement by locating in jurisdictions with economic anti-displacement measures in place; and to the extent feasible, provide training and/or jobs to local workers.

The Guidelines created for programs administered by the Strategic Growth Council and CalSTA have taken steps in the right direction. Stronger guidance from ARB will bolster these efforts and assist other state agencies that have not yet grappled with displacement in their programs.

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We encourage ARB to incorporate our recommendations and increase California's ability to achieve the significant environmental, public health, and economic outcomes outlined in AB 32 and SB 535. These improvements will ensure that SB 535 investments credited as benefitting disadvantaged communities maximize benefits for the communities with the greatest need.

Sincerely,

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