



September 15, 2014

Ms. Mary Nichols
Chairman, California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

Re: California Air Resources Board Cap-and-Trade Interim Guidance

Dear Chairman Nichols,

The City and County of San Francisco respectfully offers the following comments on guidelines proposed by the California Air Resources Board (ARB) for state agencies administering Greenhouse Gas Reduction Fund monies from the California Cap-and-Trade program.

The City and County of San Francisco strongly supports the intent of SB 535 (DeLeón, 2012) and SB 862 (2014) to ensure that a minimum percentage of funds be used for investments located within and for the benefit of disadvantaged communities (DACs). As a city with an extremely high cost of living, we support state policy designed to ensure that Cap-and-Trade auction proceeds benefit urban areas most low-income communities. For context, there are 69 census tracts in San Francisco where more than 30 percent of the residents live at or below the poverty line. Only one of these census tracts is captured under the current CalEPA proposal to use the CalEnviroScreen 2.0 (CES 2.0). San Francisco will be providing comments separately to CalEPA regarding the impact of the proposed CES 2.0 leaving out the wide majority of the City's disadvantaged communities.

The comments below focus on Appendix 1 of the document titled *Criteria for Evaluation Benefits to Disadvantaged Communities by Project Type*. The purpose of this document is to provide guidance to state agencies administering funds under the Cap-and-Trade program to determine whether a proposed project is located within or provides benefits to a DAC.

San Francisco's comments are divided into 3 parts:

- Guidelines sections 1-1 & 1-3: Low-Carbon Transit Projects
- Guidelines section 1-2: Affordable Housing and Sustainable Communities Projects
- Job benefits to residents of a DAC

1-1 & 1-3: Low-Carbon Transit Projects.

The City and County of San Francisco agrees with the comments submitted by the San Francisco Municipal Transportation Agency (SFMTA) regarding Guidelines sections 1-1 and 1-3 Low-Carbon Transit Projects.



1-2: Affordable Housing and Sustainable Communities Projects

San Francisco urges the ARB to reconsider Step 2.A "Project is within ½ mile of a DAC and reduces vehicles mile travelled, and is designed to avoid displacement of DAC residents and businesses." By focusing solely on projects located in or within ½ mile of DACs, ARB's guidance could actually discourage the production of affordable housing in job-rich areas with good transit service, thereby reducing opportunities for current residents of DACs to move into such areas. Moreover, such narrow criteria could encourage development in and around areas with high rates of pollution, a perverse and undesirable outcome from a public health standpoint. Accordingly, San Francisco encourages the ARB to consider finding that projects located in a ZIP code that contains a DAC census tract or within a ½ mile of a DAC "provides a benefit to" a DAC.

Job benefits to residents of a DAC

Throughout the project categories, ARB's guidelines recommend to workforce related criteria "provides benefit to" a DAC if either:

- 1) "Project includes recruitment, agreements, policies or other approaches that result in at least 25% of project work hours performed by residents of a DAC;" or
- 2) "Project includes recruitment, agreements, policies of other approaches that result in at least 10% of project work hours performed by residents of a DAC participating in job training programs which lead to industry-recognized credentials or certifications."

San Francisco has several workforce development programs that incentivize hiring local residents from low-income communities for projects. These programs are paired with robust job training academies to provide residents with the skills required to begin a successful career through a given project.

In order to meet the intent, and ensure that Cap-and-Trade dollars are directed towards projects that prioritize hiring residents from disadvantaged communities, San Francisco recommends the ARB consider redefining the hiring targets. Specifically, San Francisco recommends narrowing the guidelines to ensure that low-income residents are prioritized. Workforce development projects commonly place income qualifications to prioritize those would most benefit from the program. There are several well established protocols for determining income status - San Francisco recommends qualifying residents as low-income through standards set by the federally administered Community Development Block Grants.

Additionally, San Francisco recommends that the ARB consider expanding the eligibility boundaries to include residents of a ZIP code that contains a DAC. Given the scale of projects contemplated by San Francisco, it is unlikely that a project could achieve the 25% of project work hours by a DAC resident or 10% of work hours performed by a job training participant. At issue are the size of census tracts – which average 4,000 residents, and the large scale of urban projects – which employ hundreds of workers. San Francisco supports and encourages Cap-



and-Trade dollars to incentivize the hiring of disadvantaged individuals. The comments above aim to set an aggressive, but achievable hiring goal. If left as currently drafted, San Francisco is concerned that applicants would not seek to qualify projects as "providing a benefit to" DACs under this important criteria.

Again, the City and County of San Francisco appreciates the opportunity to work with your agencies on appropriately identifying disadvantaged communities to ensure that the intent of S.B. 535 is implemented. We submit our concerns with a deep commitment to work with both CalEPA and the Air Resources Board on the best possible solutions to these issues for the people of San Francisco.

If you have any questions regarding these comments, please contact me directly,
Roger.Kim@sfgov.org or (415) 554-6973.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger Kim", written over a circular stamp.

Roger Kim
Senior Advisor to Mayor Edwin M. Lee

cc: San Francisco Legislative Delegation
The Honorable Rodriguez, Secretary, California Environmental Protection Agency
Matt Botill, ARB