FROM: Matt Read
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DATE: December 4, 2024

SUBJECT: GREENHOUSE GAS REDUCTION FUND:
Strategic Growth Council

EXPENDITURE RECORD FOR FISCAL YEAR 2023-2024

This Attestation Memorandum documents that the Strategic Growth Council completed the attached Expenditure Record on December 4, 2024, for the Affordable Housing and Sustainable Communities 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 at: www.arb.ca.gov/caclimateinvestments. Questions on this Attestation Memorandum or Expenditure Record may be directed to Amar Cid at amar.cid@sgc.ca.gov or 278-386-2790.

Attachment: Greenhouse Gas Reduction Fund: Expenditure Record
Fiscal Year: 2023-24 Strategic Growth Council
Affordable Housing and Sustainable Communities Program

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Greenhouse Gas Reduction Fund: Expenditure Record

Strategic Growth Council Expenditure Record for
Affordable Housing and Sustainable Communities Program

Created by Senate Bill (SB) 862 (Chapter 36, Statutes of 2014), the broader Affordable Housing and Sustainable Communities (AHSC) Program is comprised of two specific components: the AHSC Program, and the Sustainable Agricultural Lands Conservation (SALC) Program. The Strategic Growth Council's (SGC) AHSC Program focuses on increasing accessibility of affordable housing, employment centers, and key destinations via low carbon transportation options. Funded projects will result in fewer passenger vehicle miles traveled (VMT) through shortened or reduced vehicle trip lengths or transportation mode shift from a single-occupancy vehicle to transit, bicycling, or walking. Projects will achieve greenhouse gas (GHG) emission reductions along with co-benefits with an emphasis on investments that benefit disadvantaged communities.

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

- Agency that will administer funding
    - SGC, with implementation by the Department of Housing and Community Development (HCD)

- Amount of proposed expenditure and appropriation reference

    Per Health and Safety Code 39719 (b)(1)(c), 20 percent of the annual proceeds of the Greenhous Gas Reduction Fund (GGRF) is hereby continuously appropriated to the SGC under the Governor's Office of Land Use and Climate Innovation (LCI) for the AHSC Program. Total Local Assistance for FY 23-24 is $820,234,537 of which $44,178,858 of these funds is allocated for additional Round 8 projects awarded on August 22,2024. The remaining Local Assistance balance of $776,055,679 is allocated for Round 9 of the AHSC Program, to be awarded in Winter 2025. This is the net amount from total FY 2023-24 auction proceeds, less FY 2023-24 SALC Program funding, and AHSC State operations.
    - The 20 percent continuous appropriation supports local assistance programs as detailed in SB 862 (Chapter 36, Statutes of 2014), which created the broader AHSC program. The SGC Council approved two programmatic areas for these local assistance funds: the AHSC Program and the SALC Program, and designated HCD and the California

Department of Conservation, respectively, to implement these programs in coordination with the SGC.
- **This Expenditure Record only addresses funds for the AHSC Program.** Expenditure Records for the SALC Program and Technical Assistance Program are established separately.

- Estimated amount of expenditures for administering agency administrative costs
  - FY 2023-24 State agency administrative costs for LCI/SGC ($2,741,000) and HCD ($4,609,000) total approximately $7,350,000
  - HCD loan default reserve to cover FY 2023-24 AHSC loans is calculated at 1.5% of the loans awarded, which is $7,760,000.

- If applicable, identify laws or regulations that govern how funds will be used
  - SB 862 established the program and provides direction on how the funds will be allocated to recipients, including requirements for project eligibility and program implementation. All GGRF monies will be allocated and managed in accordance with this law.
  - Assembly Bill (AB) 1532 (Pérez, Chapter 807, Statutes of 2012), AB1550 (Gomez, Chapter 369), SB 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), and SB 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014) provide the general framework for how the auction proceeds will be administered to further the purposes of AB 32.

- Continuation of existing Expenditure Record
  - This FY 2023-24 Expenditure Record will support a continuing program that will fund the same types of projects that have been previously funded under an existing Expenditure Record. Changes from the previous Expenditure Record include:
    - Affordable housing development in close proximity to transit designed to exceed current requirements for energy efficiency, green building, water efficient uses, low impact development, and renewable energy
    - Capital infrastructure projects, including:
      - Active transportation capital projects, including pedestrian, bicycle infrastructure, crosswalks, and other capital projects which increase connectivity and accessibility
      - Infrastructure (water, sewer, roads, broadband connectivity, etc.) that directly serves affordable housing development in proximity to transit
      - Urban greening components designed in coordination with affordable housing, active transportation, or transit capital

projects (e.g. tree canopy along walkable and bikeable corridors, parks and open space adjacent to housing, etc.)
- Capital costs associated with increasing the capacity of a transit system, including expanded fleet (e.g. vanpool, car share, shuttles, ZEV charging infrastructure, transit stops/stations) or expanded service (e.g. route expansions, frequency increases)
- Capital costs supporting to expand public transit access and increase connectivity between destinations and transportation modes

- Transit operations costs associated with capital expansion projects are eligible for 5 years, extended from 2 years.
- Programs supporting shifts in transportation mode and co-benefit priorities, including:
  - Active transportation outreach (e.g., safety, awareness)
  - Transit ridership programs (e.g., transit passes, outreach programs)
  - Criteria air pollutant and air pollution exposure reduction programs
  - Workforce development programs
  - Zero-emission vehicle car share programs for low-income individual
  - Tenant legal counseling

- Project type(s)
  - Sustainable Communities and Clean Transportation
    - Affordable Housing and Sustainable Communities

- Describe the projects and/or measures that will be eligible for funding
  - Three Project Area types have been defined in the AHSC Program:

    - Transit Oriented Development (TOD) Project Areas supporting VMT reduction through fewer or shorter vehicle trips, or transportation mode shift to transit use, bicycling, or walking by integrating high-quality transit and key destinations including affordable housing/mixed-use development;
    - Integrated Connectivity Project (ICP) Project Areas supporting VMT reduction through fewer or shorter vehicle trips, or mode shift to transit use, bicycling, or walking within areas lacking high-quality transit, but still proximate to transit; and
    - Rural Innovation Project Areas (RIPA), which have similar characteristics as ICP Project Areas, but are located in areas

designated as rural communities.

- Grants and loans will be provided to increase the availability of affordable housing, while at the same time building infrastructure that supports shortened or reduced vehicle trip length, or mode shift to transit, bicycling, or walking. These alternatives allow residents easy access to employment centers and key destinations via low-carbon transportation options resulting in fewer VMT. Examples include, but are not limited to, the following:

    - Affordable housing adjacent or connected to transit via walkable or bikeable pathways, including onsite solar photovoltaics;
    - Pedestrian or bicycle infrastructure connecting residential or commercial development to transit, or to a larger transportation network;
    - Construction of complete streets infrastructure allowing pedestrians, bicyclists, and transit sufficient space to operate and enhance safety; and
    - Transit infrastructure improvements which encourage increased ridership and mode shift, including safety, wayfinding, bicycle parking and other amenities.

- In conjunction with capital improvements, funding for programs that encourage transportation mode shift from single-occupancy vehicles – including free or subsidized transit passes; bicycle and pedestrian safety and outreach programs; ZEV carsharing; and other programs. Funding for select programs that support improvement of conditions for priority populations is also available, including tenant legal counseling services, air pollution exposure reduction, and workforce development programs

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- Intended recipients
    - Eligible recipients must be a: local government (city, county or city/county), public housing authority, redevelopment successor agency, transit agency or operator, regional transportation planning agency, local transportation commission, congestion management agency, joint powers authority, school district, facilities district, university or community college district, private or non-profit developers, program operators, or a federally recognized Indian tribe.

- Program structure and process for selecting projects for funding
    - The process for selecting projects for funding will be through a competitive process, based on the merits of applications submitted and the proposed use of funds within the identified Project Area. The AHSC Program makes approximately 20% of funds available for use at the discretion of the

Council, which is prioritized towards meeting the program's statutory disadvantaged community investment target, at least one tribal project, and at least one project in each of the eight (8) regions identified by the Council to ensure access to funds around the state. The threshold requirements and application selection criteria focus on the extent to which developments realize the AHSC Program objectives of reducing GHG emissions, benefiting disadvantaged communities, providing affordable housing, demonstrating project readiness, and meeting other policy considerations.

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
  - AB 1532 requires that GGRF monies be appropriated in a manner that is consistent with the three-year Investment Plan (Health and Safety Code Section 39718). The "Cap-and-Trade Auction Proceeds Third Investment Plan: Fiscal Years 2019-20 through 2021-22" states that sustainable communities and clean transportation provide a variety of benefits for communities, households, and individuals statewide while addressing the transportation sector, one of the largest GHG emissions contributors in California. Additionally, AHSC aligns with the three recommendations made from the Investment plan to the legislature:
    1. "Prioritize meaningful community input in program modifications and project solicitation and design, and fund community-led projects, both community-wide and small-scale. Achieve near-term climate and health benefits and contribute to long-term transformation to low carbon communities that are adaptable and resilient.
    2. Provide funding certainty over multiple years…
    3. Support job training and apprenticeship opportunities, with a focus on disadvantaged communities…"

      - In support of these objectives, the AHSC Program will support local governments, transportation agencies, and transit agencies in their efforts to better co-locate housing near transit options, connect residents to transit using low-carbon transportation modes, increase transit ridership, and meet the statewide GHG emission reduction goals. Therefore, the expenditures covered by this record are consistent with the Investment Plan and align with the priorities expressed in the Plan.

- “California’s 2017 Climate Change Scoping Plan,” released in November 2017, lists funding of specific areas to support AB 32. AHSC expenditures will be consistent with the following funding recommendations in the Scoping Plan Update:

    - Expansion of established local, regional and state funding programs supporting transit, infrastructure, active transportation (walking/biking), land-use changes, and other projects that prioritize reducing VMT and GHG emissions and are identified in Sustainable Community Strategies or Regional Transportation Plans;
    - Infrastructure investments that are integrated with sustainable community plans, maximize transit trips, and reduce VMT.

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
    - AHSC projects will reduce GHG emissions by supporting more compact, infill development patterns, renewable energy, encouraging active transportation and transit usage. VMT will be reduced through increased accessibility of affordable housing, employment centers, and key destinations via low-carbon transportation options. The list of eligible projects in the program guidelines includes a variety of approaches for achieving increased ridership including direct siting of affordable housing development, and therefore riders, in close proximity to transit options, as well as encouraging expansion of and connectivity to transit and active transportation options (e.g., new transit service; active transportation improvements that support new or expanded transit service; transit passes/vouchers; etc.)

- Explain when GHG emission reductions and/or co-benefits are expected to occur and how they will be maintained
    - Assuming funding recommendations are approved by SGC in 2024, the GHG emission reductions, travel cost savings, and pollutant reductions will begin as early as 2024, initiated by completion of improvements to pedestrian, bike, and transit infrastructure, and ultimatelythrough completion of affordable housing developments and occupancy by residents. The AHSC investment will directly support jobs as early as late-2024 and continue through project completion up to seven years later.

GHG emission reductions from AHSC expenditures will be maintained for the length of the development.
- For transit-oriented development, mixed-use development, and transit and community improvements associated with housing or other land use development, the project life of the AHSC project is assumed to be 30 years from the first operational year of the project life.
- For regional transit projects (e.g., new bus service, vanpools) not associated with housing or other land use development, project life is assumed to be the number of years proposed to be funded by AHSC, with maximum a maximum useful life as described by the Federal Transit Administration guidelines.
- For bicycle-related projects (e.g., paths, lanes) not associated with housing or other land use development, the project life is assumed to be 20 years for Class 1 bicycle paths, 15 years for Class 2 bicycle paths and Class 4 protected bikeways, and 10 years for bike share.
- For solar photovoltaic projects, the project life is assumed to be 30 years.

- For pedestrian facilities not associated with housing or other land use development, the project life is assumed to be 20 years.

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
  - In addition to achieving GHG benefits, these expenditures will address public health and safety, environmental, and economic benefits, as well as address objectives related to benefiting disadvantaged communities.
  - The AHSC Program guidelines evaluate the extent to which the proposed project addresses co-benefits as part of the competitive score.
  - Projects funded by AHSC are expected to result in the following co-benefits:

<u>Public Health and Safety Benefits</u>:
- Reduce health harms (e.g. asthma) suffered disproportionately by low-income residents/communities due to reduction of air pollutants.
- Reduce health harms (e.g. obesity) suffered disproportionately by low-income residents/communities due to the location of the built environment.

Active transportation improvements (e.g., bicycling and walking paths connecting to transit stations) will support increased public health benefits.
- Increase safety through improved transportation and transit infrastructure.

Environmental Benefits:
- Improve air quality resulting from cleaner transit vehicles that reduce emissions of local toxic air contaminants and particulate matter.
- Encourage zero-emission vehicles and infrastructure.
- Reduce building energy usage and implement all electric design for all projects.

Economic Benefits:
- Support the construction of affordable housing near transit for low-income households, reducing economic costs of housing near transit.
- Increase economic benefits through reduced transportation costs and improved mobility for transit riders through improved and expanded service.
- Increase economic development opportunities for communities through improved transportation infrastructure to attract and retain businesses.
- Increase access to employment through better connectivity of homes and jobs, especially for disadvantaged communities.
- Decreased travel and fuel cost through increased transportation options, including ZEV vehicles, and subsidized transit use.

Climate Resiliency:
- Address needs of vulnerable populations for secure, affordable housing.
- Reduce health risks by encouraging the incorporation of project components that address urban heat island effect (e.g. shade trees, structures) around housing and transportation.

- How the project will support other objectives of AB 32 and related statutes
  - Projects will complement the State's efforts to improve air quality and direct public investment toward the most disadvantaged communities in California.
  - In addition, funded projects will provide an opportunity for small businesses, schools, affordable housing associations, and other community institutions to participate in and benefit from statewide efforts to reduce GHG emissions.
  - Consideration of co-benefits as a necessary component of the project provides an opportunity to maximize additional environmental and economic co-benefits for California.

- Percentage of total funding that will be expended for projects that are located in and benefit priority populations[1] per CARB guidance
    - Per SB 862, at least 50 percent of AHSC GGRF funding must be expended on projects that are located in and benefiting disadvantaged communities. Disadvantaged communities are identified by the California Environmental Protection Agency (CalEPA) using CalEnviroScreen.
    - SGC has a target percentage of FY 2023-24 funds for projects that provide benefits to AB 1550 populations set at 60% for disadvantaged Communities, 10% for Low-Income Communities or Households, and 5% for Low-Income Buffer regions. Investments that are eligible to be counted toward AB 1550 investment minimums for within and benefiting disadvantaged communities would also count toward meeting the SB 862 set-aside described above. The AHSC Program regularly locates the vast majority of its investments in Priority Population Communities.

- Describe the benefits to priority populations per CARB guidance
    - In order to be counted as a project providing benefits to AB 1550 populations, projects must fulfill each of the requirements in steps one through three of the Priority Population Benefit Criteria Tables applicable to the AHSC Program that identify the Priority Population(s), address a need, and provide a benefit. Potential benefits include:
        - Project provides new affordable housing development near transit and/or increases the supply of available affordable housing units near transit, and is designed to avoid displacement of residents from the surrounding communities
        - Project preserves the supply of affordable housing that is at-risk of conversion to market rate or is in need of rehabilitation (e.g., through acquisition and substantial rehabilitation) for priority populations.
        - Project provides improved transit or passenger rail service for stations or stops within a disadvantaged or low-income community (e.g., new transit lines, more frequent service, greater capacity on

[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 for more information on the definitions of priority populations.

existing lines that are nearing capacity, improved reliability, improved accessibility, bus rapid transit service)

- Project provides transit incentives to residents of a disadvantaged or low-income community or a low-income household (e.g., transit vouchers, reduced transit fares, transit passes)
- Project improves transit connectivity for residents at stations or stops in a disadvantaged or low-income community (e.g., network/fare integration, fare-system investments)
- Project improves connectivity between travel modes for vehicles or equipment that service stations or stops in a disadvantaged or low-income community (e.g., bicycle racks on transit vehicles, better links between transit and active transportation)
- Project creates or improves infrastructure or equipment that reduces criteria air pollutant or toxic air contaminant emissions at a station, stop, or transit facility located in a disadvantaged or low-income community (e.g., auxiliary power, charging stations)
- Project creates or improves infrastructure or equipment that reduces criteria air pollutant or toxic air contaminant emissions on regular scheduled routes that are primarily within a disadvantaged or low-income community (e.g., rail electrification, zero-emission bus)
- Project provides increased access to shared-mobility transportation options for residents of a disadvantaged or low-income community (e.g., vanpooling, shuttles, ride-sharing, car-sharing or bike-sharing)
- Project provides increased access to transit through advanced technology mobility options for residents of a disadvantaged or low-income community (e.g., smartphone application-based ride-sharing services)
- Project improves transit stations or stops within a disadvantaged or low-income community to increase safety and comfort (e.g. lights, shelters, benches).
- Project reduces vehicle miles travelled for residents of disadvantaged or low-income communities through improved connectivity between one or more of these communities and key destinations

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- Explain strategies the administering agency will use to maximize benefits to disadvantaged communities
  - Per Public Resources Code Division 44, Part 1 (commencing with Section 75200), the AHSC Program shall allocation "50 percent of program expenditure for projects benefiting disadvantaged communities."
  - Per the criteria and requirements in CARB's Cap-and-Trade Auction Proceeds: Funding Guidelines for Agencies that Administer California Climate Investments, AHSC GGRF funding will result in direct,

meaningful, and assured benefits to disadvantaged communities, and will also meaningfully address an important community need.
  - SGC may prioritize projects that meet disadvantaged community benefit criteria and demonstrate that the project will meaningfully address an important community need in order to meet statutory investment requirements set by SB862.
  - Additionally, applicants will also be required to describe top burdens from CalEnviroScreen 4.0 and how their project addresses community needs if their project is located within a disadvantaged community or a low-income community. This information will influence scoring criteria and will help to inform award selection.

- 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
  - AHSC program staff are constantly evaluating the effectiveness of action required and incentivized by the Program at achieving Program and CCI goals. Staff hold many workshops and public comment periods as well as employ technical assistance providers to solicit feedback. Staff consider each comment and weigh the costs and benefits of making guideline changes.

    AHSC projects increase the availability of stable, affordable housing, often with additional services. Stable housing situations provide a number of economic, environmental and public health benefits. AHSC program staff consider these when developing the program guidelines and incentivizing criteria that may come with trade-offs.

    Specifically, AHSC projects avoid substantial burdens in the following ways:
    - Applications are encouraged to employ resident and local business anti-displacement strategies and are required to abide by all right of return laws.
    - Projects are required to provide air pollution education to all residents of affordable housing developments. Additional exposure mitigation strategies are encouraged in site design and programming.
    - Projects are strongly incentivized to conduct a thorough community engagement process and identify community needs/burdens and how the project addresses them.
    - AHSC projects are required to procure ZEV vehicles which reduce the pollution burden in the communities in which investments are located.

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 35800) 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
  - The agency will require funding recipients to maintain records and submit quarterly status reports. In addition, the agency will conduct periodic reviews of selected projects. If a funding recipient does not perform in accordance with program requirements, the recipient will be subject to the remedies for non-performance, as identified in the SGC guidelines.
  - Applicants are required to track and report on project implementation pursuant to CARB's Funding Guidelines for Agencies that Administer California Climate Investments.

- Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion.
  - SGC worked with CARB to develop and refine the GHG quantification methodologies used to estimate GHG emission reductions and cobenefits for projects. The AHSC Program continues to focus quantification of GHG emission reductions on strategies that reduce VMT and sustainable housing development, including onsite solar photovoltaics. Project applicants use the AHSC Benefits Calculator Tool, based off of the GHG quantification methodologies, to estimate GHG emission reductions and co-benefits from projects.
  - Applicants will submit completed AHSC Benefits Calculator tools to state estimated GHG emission reductions of their project. SGC will coordinate with CARB staff to review calculations prepared by project proponents to ensure consistency with approved methods.
  - Additional Co-benefits will be captured through CARB's benefit calculator tool upon each applicants' submission of their proposal.
  - Every FY2023-24 awardee will be required to submit employment benefits achieved through each AHSC investment.

- Type of information that will be collected to document results, consistent with CARB guidance
  - The agency will collect any necessary data to document GHG emission reductions and cobenefits including, but not limited to, information on:
    - Project location;
    - Project budget information
    - Reduced VMT;
    - Accessibility to qualified employment areas;

        - Number of affordable housing units developed to serve lower and moderate income residents;
        - Benefits to priority populations, including information on how community needs were meaningfully addressed;
        - Project co-benefits;
        - Miles of developed walkway and bikeways;
        - Miles of developed special or dedicated bus lanes;
        - Transit frequency rates;
        - Enhanced mobility programs developed to provide options such as bike or car sharing programs; and
        - Trees planted
    - Information collected for the Employment Benefits and Outcomes Reporting include, but are not limited to, the following:
        - Job training credentials
        - Number of jobs provided
        - Total project work hours
        - Average hourly wage
        - Total number of workers who complete job training
        - Description of job quality and benefits provided

- How the administering agency will report on program status
    - The agency will provide semi-annual updates on expenditures, project status, project location, and benefits in reports prepared according to CARB’s Funding Guidelines. At a minimum, the reports will include expenditure amounts, current estimates of GHG emission reductions, and information on other applicable co-benefits.