

August 22, 2024

Subject: Transformative Climate Communities Round 4 and Round 5: Guidelines Technical Amendment

Reporting Period: December 2023 – August 2024

Staff Lead: Nicole Cartwright, Transformative Climate Communities Program Manager

Recommended Action

Approve Staff recommendations to amend the Transformative Climate Communities Program (TCC) Round 4 and Round 5 Guidelines to recategorize cost categories and raise cost caps within Project Strategy 4: Solar Installation, Energy Efficiency, and Appliance Electrification.

Summary

The TCC Program seeks Council approval for an amendment to the TCC Round 4 and 5 Program Guidelines (Guidelines) to update cost categories and cost caps within Project Strategy 4: Solar Installation, Energy Efficiency, and Appliance Electrification. This amendment would recategorize the activities of replacing electrical panels and installation of new electrical circuits as direct costs, rather than repair costs. This amendment would also revise language in the Guidelines that allow TCC staff to approve a higher repair cost cap on a grant-by-grant basis. This request stems from multiple partners being unable to meet their solar installation goals based on the levels of electrical updates needed on eligible homes. TCC Staff reached these proposed changes through researching best practices, consulting with interagency departments, meeting with impacted grantees, and proposing these revisions to grantees for feedback.

Background

About the TCC Program

TCC, established by AB 2722 (Burke, 2016), invests in community-led climate resilience projects in the state's most disadvantaged communities. The program objectives are to reduce greenhouse gas emissions, improve public health and the environment, and support economic opportunity and shared prosperity. The program achieves this by funding three different grant types: Planning, Project Development, and Implementation. To date, TCC has awarded more than \$424 million since 2017, through 15 Implementation Grants, four Project Development Grants, and 28 Planning Grants.

The Council adopted the FY 21-22 Round 4 TCC Program Guidelines at the Feb. 24, 2022, Council Meeting and later two technical amendments at the April 28, 2022, and Dec. 15, 2022, Council Meetings.

The Council adopted the FY 22-23 Round 5 TCC Program Guidelines at the Feb. 28, 2023, Council Meeting.

All Round 4 and 5 Implementation Grants include a project under Strategy 4: Solar Installation, Energy Efficiency, and Appliance Electrification.

Background on Strategy 4

Since the inception of the program, several Implementation Grantees have encountered the similar issue of unexpectedly high repair costs that have hindered success of projects under Strategy 4: Solar Installation and Energy Efficiency.

The need for a high level of repairs follows from two of TCC's core program requirements: 1) the focus of the program on the most disadvantaged communities, and 2) the income requirements for eligibility for solar energy efficiency projects. Grantees have found that these program requirements focus their efforts in areas with a relatively old housing stock where eligible clients are often financially limited on the types of upkeep they can provide to their residences. Consequently, TCC grantees and partners have found that eligible residences often require both minor and major repairs, including dry rot repair, safety remediation, electrical panel replacement, and circuit upgrades.

As of the most recent round of TCC Guidelines, solar and energy efficiency projects may devote up to 20% of their total project budgets to repair costs. Based on lessons learned from grantees and research by TCC Staff, two changes are being proposed to reduce barriers to implementation:

Recategorizing electrical upgrade costs:

With the introduction of appliance electrification as an eligible project type in TCC, the need for electrical panel replacements and circuit upgrades has increased. This work can be relatively expensive and multiple TCC grantees have indicated that completing this work is using a large portion of the available repair budget. This threatens the viability of projects where additional repair work may be needed.

In response to this feedback, TCC staff have investigated multiple options for addressing this issue as well as the existing structure of repair costs.

One key finding is that the replacement of electrical panels and the installation of new electrical circuits are often key components of the direct installation of solar panels and TCC funded electric appliances. Currently defined as "repair costs" in the Guidelines, these costs are more appropriately considered as direct costs of installation.

By reclassifying these costs as "direct costs of installation" rather than "repair costs", TCC grantees will be able to devote more of their project repair funds to actual repair work.

These panel upgrades and electrical circuit installations will provide additional benefits to residents by allowing further home electrification improvements that sustain themselves past their TCC grant.

Providing more flexibility on necessary repairs:

TCC staff are also seeking to revise the repair cost cap language that exists in Rounds 4 and 5 of the TCC Guidelines.

The Round 4 language caps the total home repair costs at 20% of the project budget. Within this overall project cap, individual households are limited to \$3,000 for home repairs and \$5,000 for roof repairs (up to \$8,000 per household in repair costs). The intent of the per household cap was to ensure equitable distribution of TCC funds across a spectrum of eligible households. However, based on grantee and partner feedback on the wide variability in repair costs across households, TCC removed the per household cap in the Round 5 guidelines, while maintaining the total repair cost cap of up to 20% of the project budget.

Although Round 5 language added flexibility within the home repair budget per household, multiple TCC grantees and partners have cited barriers to solar installation due to the majority of eligible households also requiring costly roof repairs. Again, this is a result of the older housing stock and financial limitations for project area residents.

As a result, TCC staff propose the Round 4 and Round 5 language limit the total repair costs to 20% of the TCC budget for the Project but allow staff to exercise discretion to approve higher caps for home repairs on a grant-by-grant basis via written approval.

Summary of changes to Round 4 and 5 TCC Guidelines

The combined effect of the proposed changes is that the repair cost budget could be focused on actual repair activities (dry rot remediation, roof repairs, etc.) while work that is directly needed for operation of the solar panels or appliances, such as panel upgrades and electrical circuit installations, would remain eligible for funding as direct project costs. Moreover, partners would have greater flexibility on a per household basis allowing for repair cost averaging across households.

Proposed amendments to the FY 21-22 and FY 22-23 TCC Program Guidelines are summarized below and included as Attachment A and B to this staff report.

- Round 4 TCC Guidelines:
 - Page B-25: Update language that electrical panel upgrades and electrical circuit installation would no longer be considered as eligible “repair” costs, and instead would be treated as eligible “direct” costs of installation.
 - Page B-25: Remove specific caps on home repairs (currently \$3,000) and roof repairs (currently \$5,000) to provide more discretionary spending within the repair budget.

- Page B-25: Update language that electrical repair costs would be limited to 20% of the TCC budget for the Project, but TCC staff could approve a higher repair cap on a grant-by-grant basis via written approval.
- Round 5 TCC Guidelines:
 - Page 124: Update language that electrical panel upgrades and electrical circuit installation would no longer be considered as eligible “repair” costs, and instead would be treated as eligible “direct” costs of installation.
 - Page 124: Update language that electrical repair costs would be limited to 20% of the TCC budget for the Project, but TCC staff could approve a higher repair cap on a grant-by-grant basis via written approval.

Council Recommendation

Should the Council agree with Staff’s recommendation, the following motion language is suggested:

“I move that the Council approve staff recommendations to amend the Transformative Climate Communities Program Round 4 and Round 5 Guidelines to recategorize cost categories and allow TCC staff to approve higher repair caps within Project Strategy 4: Solar Installation, Energy Efficiency, and Appliance Electrification.”

Attachments

Attachment A: Transformative Climate Communities (TCC): Final Round 4 Program Guidelines: Strategy 4 Amendment

Attachment B: Transformative Climate Communities (TCC): Final Round 5 Program Guidelines: Strategy 4 Amendment

