

April 20, 2018

**Subject:** Transformative Climate Communities Program: Options and Proposed Expenditure of \$10 million of FY 2017-2018 Program Funds

**Reporting Period:** January 2018 – April 2018

**Staff Lead:** TCC Program Staff

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### **Recommended Action:**

Approve staff recommendation to add \$10 million of FY 2017-2018 TCC Program funds to Round 2 (FY 2018-2019) of the Transformative Climate Communities (TCC) program.

### **Summary:**

In FY 2016-2017, \$140 million was allocated to the TCC Program from the Cap-and-Trade auction proceeds. On December 6, 2016, the Strategic Growth Council (SGC) adopted a regulation requiring that a minimum of half of the funds be allocated in the City of Fresno, a minimum of one-fourth of the funds be allocated in the City of Los Angeles, and the remaining funds be allocated in a third location to be determined competitively among eligible disadvantaged communities. On January 29, 2018, the SGC awarded funds to *Fresno: Transform Fresno*, *Los Angeles: Watts Rising Collaborative*, and *Ontario Connects: People Places Prosperity*.

The Budget Act of 2017 (FY 2017-2018) appropriated \$10 million to the SGC for the TCC program.<sup>1</sup> At the January 29 Council meeting, Council members directed staff to develop options to consider for expenditure of the FY 2017-2018 funds, due to the competitiveness of the proposals received in the first round and in light of the next highest-scoring application from Los Angeles, *Green Together: Northeast Valley*.

Accordingly, TCC program staff have developed two options for consideration. Staff recommends that the \$10 million of FY 17-18 TCC Program funds be added to Round 2 (FY 2018-2019) of the TCC program, and that Council consider a shorter application process for applicants who previously submitted TCC applications. While the Governor's proposed 2018-2019 budget proposes \$25 million for the TCC Program, the final amount available for Round 2 is subject to the legislative process and will be determined upon passage of the 2018-2019 budget.

### **Background:**

On September 14, 2016, Governor Brown signed AB 2722 (Burke), which created the Transformative Climate Communities Program, a California Climate Investment (CCI) grant program administered by the SGC, in partnership with the Department of Conservation (DOC) and other State agencies, to support the implementation of community-led, neighborhood level

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<sup>1</sup> Budget Act of 2017. [https://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180AB109](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB109)

plans with coordinated greenhouse gas emission reduction projects that provide local economic, environmental and health benefits to disadvantaged communities.

On June 27, 2017, Governor Brown signed SB 92 (Committee on Budget and Fiscal Review), which exempts all Greenhouse Gas Reduction Fund Program guidelines from Administrative Procedures Act Requirements for FY 2016-2017, including the TCC program. On August 24, 2017, the SGC adopted the 2016-2017 TCC Program Guidelines. On October 23, 2017, the SGC adopted technical amendments that made non-substantial changes to the guidelines.

## Options for Expenditure of \$10 Million of FY 2017-2018 TCC Program Funds:

### Option #1

Add the \$10 million of FY 17-18 TCC Program funds to Round 2 of the TCC program. Round 2 guidelines will be developed throughout 2018, with a proposed call for applications in August of 2018 and award recommendations made in December 2018 (see proposed timeline below). A shorter application process could be developed for those applicants who previously submitted TCC applications for Round 1 of the Program.

### Option #2

Use Round 1 TCC guidelines to award the \$10 million of FY 17-18 TCC Program funds through an expedited, competitive process, in which only those applicants who competed previously would be eligible to apply.

### **Rationale for Staff Recommendation**

SGC program staff recommends that Option 1 would be more effective in implementing the TCC Program's overarching purpose of funding comprehensive and transformative investments. The \$10 million would supplement the Round 2 funds to create a larger pool of funding, which program staff believes would more effectively support the program's place-based and holistic approach.

The overarching purpose of the TCC Program is to maximize community benefits by funding comprehensive and transformative place-based investments throughout the State. Through Assembly Bill 2722, the Legislature established the TCC Program to "fund the development and implementation of *neighborhood-level transformative climate community plans* that include *multiple, coordinated* greenhouse gas emissions reduction projects that provide local economic, environmental, and health benefits to disadvantaged communities as described in Section 39711 of the Health and Safety Code" (Pub. Resources Code, § 75240, emphasis added).

The TCC Program's vision for transformation, as stated in the existing Program Guidelines, is to take a place-based approach: "[r]ather than focusing on individual projects, the [TCC] Program requires applicants to begin by identifying a project area that will be the focus of the TCC Proposal" (Final Program Guidelines, p. 3). The existing Program Guidelines also acknowledge that "[p]roceeds from the Cap-and-Trade Program, also known as California Climate Investments (CCI), facilitate *comprehensive and coordinated investments* throughout California that further the State's climate goals" (Final Program Guidelines, p. 1, emphasis added).

Additionally, all TCC Program funding applications, including those for Round 2, must be selected and awarded through a competitive process. (Pub. Resources Code, § 75241, subd. (a).)

Under Option 1, SGC program staff proposes developing new guidelines for Round 2 applications and would not apply the existing program guidelines. As required by AB 2722, SGC must develop guidelines and selection criteria for program implementation. (Pub. Resources Code, § 75243, subd. (a).) Consistent with that requirement, SGC program staff may conduct a competitive, but expedited, application process for applicants who previously submitted TCC applications that competed for funding during Round 1.

Under Option 2, the SGC could use the existing Final Program Guidelines to award the \$10 million of FY 17-18 program funds. The Final Program Guidelines, which the SGC adopted in October 2017, is the most current set of guidelines for the selection of TCC Program awards. As noted above, SGC must develop guidelines and selection criteria for program implementation, but SGC is not expressly required to adopt new guidelines for every funding cycle to implement the TCC Program. (Pub. Resources Code, § 75243, subd. (a) [“Before awarding funds under the program, the council shall develop guidelines and selection criteria for plan development and implementation of the program.”].) Additionally, similar to Option 1, applications for the \$10 million of FY 17-18 TCC Program funds must be selected through a competitive process as required by AB 2722 (Pub. Resources Code, § 75241, subd. (a).), and SGC program staff could conduct a competitive, but potentially expedited, application process for only those applicants who previously applied and competed for TCC Program funds during Round 1.

Based upon the enabling legislation and current TCC Program guidelines, SGC program staff believes that Option 1, and funding beyond \$10 million, is more consistent with the program’s purpose of providing transformative place-based investment. Moreover, under Option 1, *Green Together: Northeast Valley* would still be able to compete in Round 2, and likely for a larger amount of funding.

## Proposed Round 2 Timeline:

SGC staff proposes the following tentative timeline for Round 2 of the TCC Program:

<b>2018-2019 Transformative Climate Communities Program Timeline (TENTATIVE*)</b>	
May 2018	Release of Round 2 Draft TCC Program Guidelines
May-June 2018	Public Workshops & Public Comment Period
July 2018	Posting of Proposed Round 2 Final Program Guidelines
August 2018	Release of Round 2 Solicitation
October 2018	Application Deadline
December 2018	Recommendations for Round 2 TCC Program Awards