

February 28, 2023

Subject: Transformative Climate Communities: Round 5 Program Guidelines (FY 22-23)
Reporting Period: November 2022 – February 2023
Staff Lead: Sophie Young, Transformative Climate Communities Program Manager

Recommended Action

Approve the Fiscal Year 2022-2023 Final Transformative Climate Communities (TCC) Round 5 Program Guidelines.

Summary

The TCC Program seeks Council approval of the final *TCC Round 5 Program Guidelines (Guidelines)*. TCC program staff developed the Guidelines through a public consultation and research process over the last year. The Guidelines also include several improvements to eligibility and program elements, based on lessons learned during implementation and stakeholder feedback over the last year.

The TCC Program released the *Draft FY 22-23 TCC Program Guidelines and Mapping Tool* for public review in November 2022. The California Strategic Growth Council (SGC) received eight (8) written public comments, along with seven (7) one-on-one appointments to give public comment. Upon Council adoption of the Guidelines, the TCC Program will issue a Notice of Funding Availability and initiate a competitive awards process for TCC Round 5.

Background

About the TCC Program

The Transformative Climate Communities 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.

TCC Implementation Grants support an integrated set of projects within a neighborhood project area of five to ten square miles. TCC Planning Grants support planning activities to advance community-led goals and projects. New to Round 5, TCC Project Development Grants will bridge funding and support for communities who do not have shovel-ready projects. To date, TCC has awarded over \$330 million in more than 30 communities since 2017, through eleven (11) Implementation and twenty-five (25) Planning Grants and several technical assistance contracts and grants.



Background on the TCC Round 5 Guidelines Process

The proposed FY 22-23 budget allocates \$100 million to the TCC Program from the General Fund's Climate Budget. An additional \$10 million in leftover funds from the FY 21-22 budget appropriation will support a Round 5 Project Development Grants pilot.

A total of ninety-nine million, two hundred thousand dollars (\$99,200,000) will be available for the TCC Program's Funding Round 5 (FY 22-23), pending final budget availability. Eighty-eight million, five hundred thousand dollars (\$88,500,000) will be available for three (3) Implementation Grants of \$29.5 million each. Nine million, eight hundred thousand dollars (\$9,800,000) will be available for multiple awards of Project Development Grants of up to \$5 million each. Nine hundred thousand dollars (\$900,000) will be available for three (3) Planning Grants of \$300,000 each.

Guidelines Development

TCC staff released the *Draft TCC Round 5 Program Guidelines* in November 2022 for a 30-day public comment period. Staff also released a *Key Changes and Policy Discussion Document*, which summarized the significant proposed changes and invited public comment on additional proposals that staff researched for the TCC Round 5 Guidelines.

During the public comment period, TCC staff hosted three (3) in-person workshops and one (1) online workshop, and scheduled seven (7) one-on-one zoom calls with members of the public in order to gather comments on the proposed draft guidelines. TCC also received eight (8) written public comments.

TCC staff reviewed all public comments and addressed them through Guidelines edits and modifications whenever programmatically feasible. This staff report includes a summary of the public comments received below.

Summary of Changes

The TCC Round 5 Program Guidelines includes key changes to the following areas since TCC Round 4:

1) Changes in Award Amounts

The proposed FY 22-23 General Fund budget appropriation for TCC proposes a reduction from \$165 million allocated in the FY 21-22 budget to \$100 million, resulting in a reduction in award amounts and number of awards proposed in the *Draft TCC Round 5 Guidelines*. \$88,500,000 will be available for three (3) Implementation Grants of \$29.5 million each. \$9,800,000 will be available for multiple awards of Project Development Grants of up to \$5 million each. \$900,000 will be available for three (3) Planning Grants of \$300,000 each.

2) New Advance Pay Pilot

TCC is authorized for an Advance Pay Pilot program (AB 156) through July 1, 2025. Lead Grantees will be able to request and disburse advance pay to subrecipients.

3) New Project Development Grant Pilot

TCC Round 5 will pilot a new grant type to bridge support for communities who do not have shovel-ready projects by funding pre-development, basic infrastructure, and capacity building activities. The Council approved the allocation of leftover funds from the FY 21-22 TCC budget appropriation for this use in October 2022. Project Development Grants will have a 2-year term, must be aligned with the TCC program objectives, and must include community engagement and climate adaptation and resilience components. \$9,800,000 is available for multiple awards of Project Development Grants, up to \$5 million each. Given the particular barriers to implementation funding that Disadvantaged Unincorporated Communities face, they will be prioritized for Project Development Grant funding.

4) Expanded Flexibility for California Native American Tribes (Tribes)

Round 5 builds on the newly expanded program eligibility for Tribes in Round 4 by increasing flexibility on key requirements to reduce barriers. Tribes are now able to request modifications to certain requirements on a case-by-case basis, including:

- Public Agency Support Resolutions
- Collaborative Stakeholder Structure Agreements
- Project Area Eligibility
- Application Materials (Data Sovereignty)
- Indirect Cost Rates
- Displacement Avoidance Plan Requirements

5) Expanded Funding Options and Eligibility for Disadvantaged Unincorporated Communities (DUCs) and Rural Applicants

Round 5 builds on the newly expanded program eligibility for DUCs in Round 4 through several changes meant to increase the program's accessibility and utility for DUCs and rural communities more broadly.

- **Project Development Grant:** TCC developed this pilot grant type in part to address the particular barriers to implementation funding that DUCs face. DUCs will be prioritized for project development grant funding.
- **Project Area Eligibility:** Expands the project area cap from 5 square miles to 10 square miles to accommodate development patterns in rural DUCs. TCC Round 5 also adds clarification and flexibility on the types of local data that DUCs can submit to establish project area eligibility and modifies the density threshold requirement.
- **Eligible Project Costs:** Round 5 makes an exception to allow DUCs and Tribes to construct on prime agricultural land, if the project demonstrates location efficiency and a lack of better project siting alternatives.

6) Changes in Threshold and Scoring Requirements

Round 5 modifies certain application threshold requirements and scoring criteria to reduce barriers to apply for and implement awarded funding.

- **Collaborative Agreements:** For Planning Grant Applications, reduces the application requirement of a Memorandum of Understanding (MOU) to Letters of Commitment in cases where a Project Area crosses municipal boundaries, federally-recognized tribal territory boundaries, or similarly relevant jurisdictional boundaries.
- **Cost Categories:** Increases the overall cost cap for Pre-Development costs from 5% to 10%. Reinforces peer-to-peer learning as an eligible direct cost.
- **Leverage Funding:** Increases the portion of leverage funding dedicated to stand-alone leverage projects to no more than 50% of the required leverage funding commitment (i.e., no more than 25 percent of the total award amount). Expands the award and expenditure timeline for stand-alone leverage funds, as long as leverage funding is aligned with the TCC program objectives and community vision of the TCC proposal and resulted from meaningful community planning in connection with the TCC proposal.
- **Revised Greenhouse Gas (GHG) Emissions Reductions Scoring:** Tribes, DUCs, and rural communities will be evaluated separately from urban communities for ten (10) of the possible twenty (20) points awarded for GHG emissions reductions. This would help address the relative differences in the magnitudes of potential GHG emissions reductions projects between urban and Tribal, DUC, and rural applicants.

7) Updated Fundable Projects and Transformative Elements

Round 5 broadens eligibility, adds clarifications, and updates requirements for several climate infrastructure project types and for workforce development.

- **Ineligible Project Characteristics and Costs:** Projects that result in a net loss or conversion of agricultural or other working lands, or natural resource lands for other uses are ineligible unless the project is within a DUC or federally recognized tribal boundaries.
- **Strategy 1: Equitable Housing and Neighborhood Development:** Clarifies how Strategy 1 is evaluated under TCC and updates the requirements per the Round 7 Affordable Housing and Sustainable Communities Program Guidelines.
- **Strategy 2: Land Acquisition for Neighborhood Stabilization:** Expands eligible activities to include property and construction costs, and expands eligible project sites to community service facilities. Reduces applicant requirements to allow new and emerging Community Land Trusts (CLTs) to apply, expands fundable affordable housing project types. Updates strategy name accordingly.
- **Strategy 3.2: Transit and Rail Access:** Removes low-emission vehicles as an eligible activity within project types. Adds California Native American Tribes as an eligible applicant
- **Strategy 4: Solar Installation, Energy Efficiency, and Appliance Electrification:** Clarifies the solar photovoltaic system size limit. Expands eligibility for solar installations to include community-serving non-residential buildings.
- **Strategy 5: Water Efficiency and Resiliency:** Expands eligible activities to include water infrastructure resiliency projects and Limited Home Repairs necessary to facilitate



installation of measures. Expands eligibility to include community-serving non-residential buildings. Updates strategy name accordingly.

- **Strategy 6: Recycling, Composting, and Waste Management:** Broadens eligibility for projects and inorganic and organic reutilization facilities and combines sub-strategies.
- **Strategy 7: Urban Greening and Green Infrastructure:** New requirement that Urban Greening projects should demonstrate sustainable water use, have a cost-effective and water-efficient irrigation system, and be consistent with Groundwater Sustainability Plans if located in a State Groundwater Management Act critically over-drafted area.
- **Strategy 8: Health Equity and Well-Being:** Incorporates health equity goals as a basis for project development, and updates strategy name accordingly. Adds community resource centers and supportive services as eligible project activities.
- **Strategy 9: Indoor Air Quality:** Expands eligibility for activities that address household sources of asthma irritants.
- **Strategy 10: Community Microgrids:** Provided additional guidance and resources for applicants to determine eligibility.
- **Workforce Development and Economic Opportunities:** Updates to align TCC policies with the State's workforce priorities on job quality, equity, and climate resilience and offers applicants additional resources for designing plans.

Summary of Public Comments

The TCC Program received fifteen (15) comments from a combination of non-profit organizations, government entities, private consultants, and private citizens. All comments expressed general support of the proposed revisions to the Draft TCC Round 5 Program Guidelines, particularly in the following areas: introduction of the new Advance Pay pilot, the new Project Development Grant pilot, including peer-to-peer learning in Direct Costs, modifications in Leverage Funding requirements, usage of local data for establishing DUC eligibility, expansion of Project Area eligibility for rural and DUC applicants, and the continuation of technical assistance throughout the process.

Several commenters also recommended key clarifications and amendments to further the program's objectives to increase access to the state's most disadvantaged communities. TCC staff incorporated several of these recommendations and have flagged the remaining for future areas of research and consultation to be considered in future TCC funding rounds.

Next Steps

Upon Council approval of the TCC Round 5 Program Guidelines, the TCC Program will issue the Notice of Funding Availability (NOFA) and initiate a competitive awards process in March 2023. All Implementation Grant Applicants are required to work with third-party technical assistance providers during the application period. Application TA for Planning Grants will be available to Disadvantaged Unincorporated Communities (DUCs) and California Native American Tribes. Below is the anticipated timeline for the Round 5 funding cycle.

- March 8, 2023: NOFA Release

- March 22, 2023: General Application Workshop (1)
- March 23, 2023: DUC and Tribal Workshops (2)
- March 31, 2023: Requests for Application Technical Assistance due – required for Implementation Grants
- May 1, 2023: Application Pre-proposals due – Implementation Grants only
- August 1, 2023: Final Applications due
- December 14, 2023: Round 5 TCC Awards adopted by Council

Council Recommendation

Approve the Fiscal Year 2022-2023 Final Transformative Climate Communities (TCC) Round 5 Program Guidelines.

Attachments

Attachment 1: Transformative Climate Communities (TCC): Final Round 5 Program Guidelines