



# INVESTING CAP AND TRADE REVENUES IN AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES: SOME INITIAL THOUGHTS

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California Housing Partnership

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# Relevant Legislation

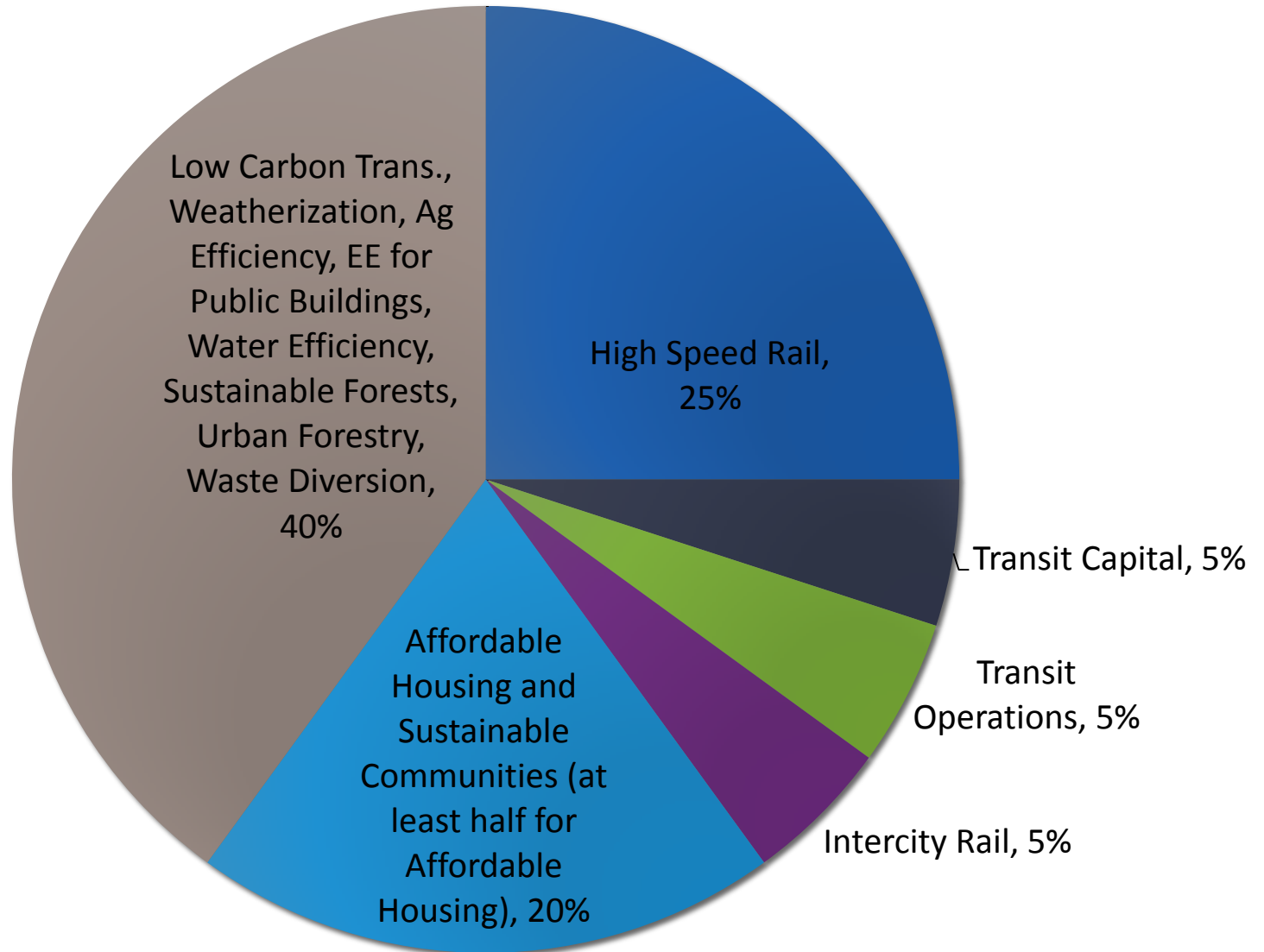
- **AB 32:** Placed an overall limit on GHG emission from high emitting sectors, created cap-and-trade.
- **AB 1532:** Outlines ARB investment plan process.
- **SB 535:** Required 25% of auction revenues to benefit disadvantage communities and 10% to be spent within disadvantaged communities as defined by CalEPA and ARB.
- **SB 862:** Cap-and-Trade expenditure plan, created the Affordable Housing and Sustainable Communities program and allocated 20% of all future auction proceeds to this purpose.

# 2014-2015 Cap-and-Trade Spending

## 2014-2015 Cap-and-Trade Expenditure Plan

<b>Program</b>	<b>Expenditure (in millions)</b>
<b>High Speed Rail</b>	\$250
<b>Transit Capital</b>	\$25
<b>Transit Operations and Intercity Rail</b>	\$25
<b>Affordable Housing and Sustainable Communities (AHSC)</b>	<b>\$130 (with at least \$65 for AH)</b>
<b>Low Carbon Transportation (EVs and Clean Freight)</b>	\$200
<b>Weatherization and Sustainable Energy</b>	\$75
<b>Agricultural Energy and Operational Efficiency</b>	\$15
<b>Energy Efficiency for Public Buildings</b>	\$20
<b>Water Action Plan</b>	\$65
<b>Sustainable Forests</b>	\$25
<b>Urban Forestry</b>	\$17
<b>Waste Diversion</b>	\$25
<b>Total</b>	<b>\$872</b>

# Ongoing Cap-and-Trade Spending



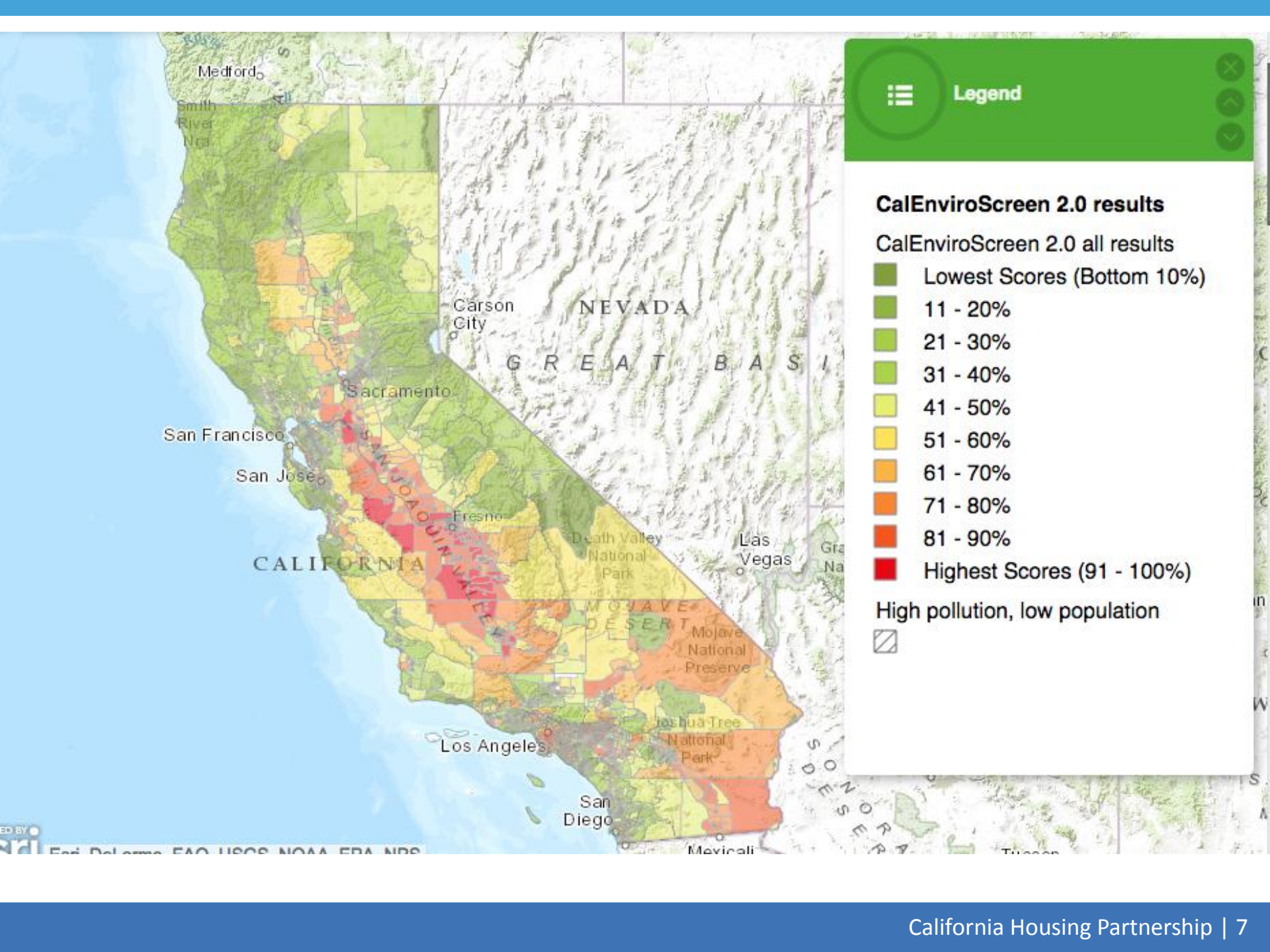
# Beyond Reducing GHGs: Serving Disadvantaged Communities

- *ALL Cap-and-Trade investments must meet the Sinclair Nexus Test by reducing GHG emissions; but that is not sufficient.*
- **SB 535** requires that 25 percent of auction proceeds be invested in ways that **benefit** disadvantaged communities and at least 10 percent be invested **within** those communities.
- **SB 862** further requires 50 percent of the AHSC funds must **benefit** “Disadvantaged Communities. “
- *What does this mean?*

# What are Disadvantaged Communities?

Pollution Burden		Population Characteristics	
<b>Exposure Indicators</b>	Ozone Concentrations PM2.5 Concentrations Diesel PM Emissions Drinking Water Quality Pesticide Use Toxic Releases from Facilities Traffic Density	<b>Sensitive Populations Indicators</b>	Children and Elderly Low Birth-Weight Births Asthma Emergency Departmental Visits
<b>Environmental Effects Indicators</b>	Cleanup Sites (1/2) Groundwater Threats (1/2) Hazardous Waste (1/2) Impaired Water Bodies (1/2) Solid Waste Sites and Facilities (1/2)	<b>Socioeconomic Factors Indicators</b>	Educational Attainment Linguistic Isolation Poverty Unemployment

**CalEnviroScreen Score**



Legend

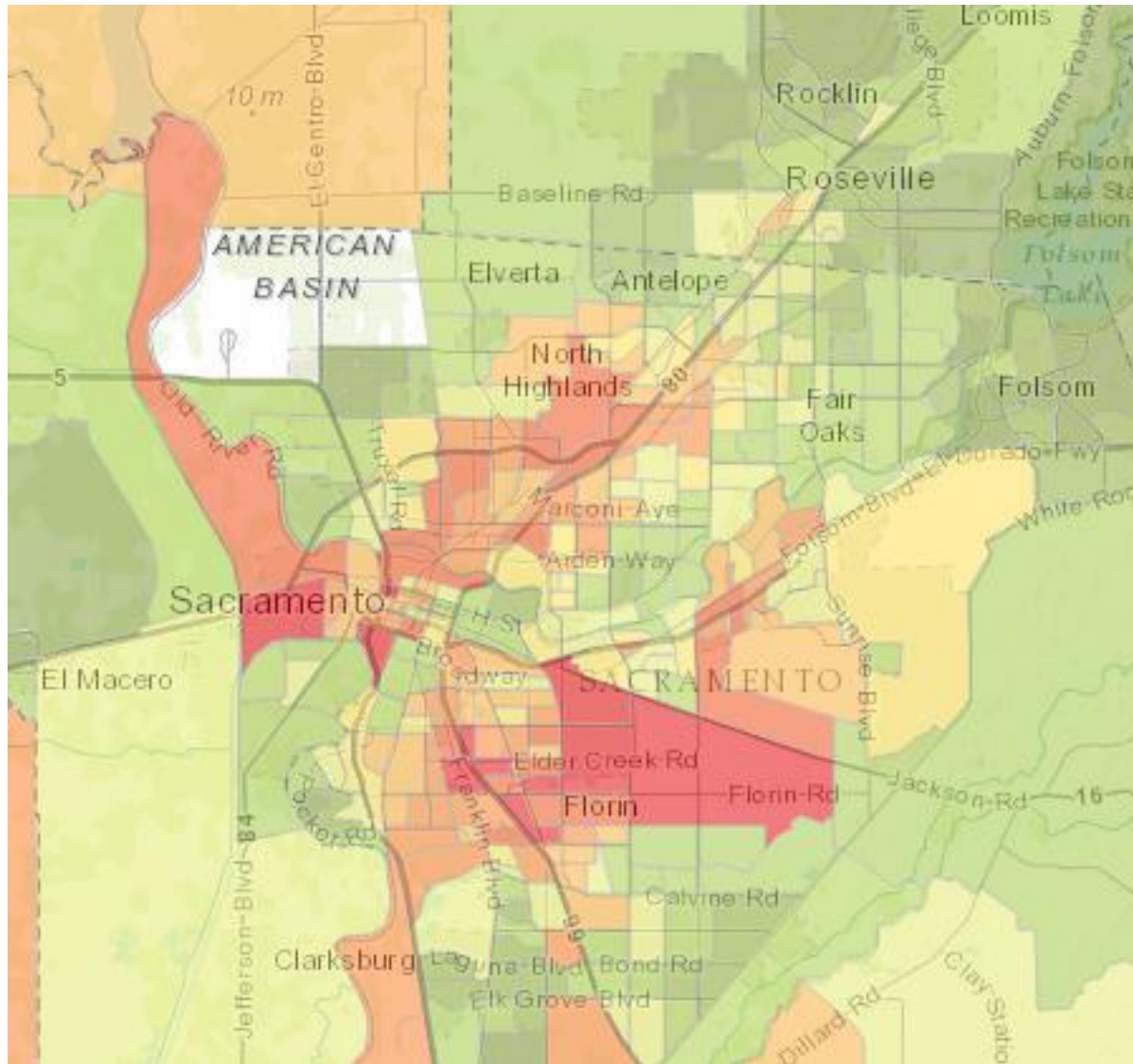
**CalEnviroScreen 2.0 results**

CalEnviroScreen 2.0 all results

- Lowest Scores (Bottom 10%)
- 11 - 20%
- 21 - 30%
- 31 - 40%
- 41 - 50%
- 51 - 60%
- 61 - 70%
- 71 - 80%
- 81 - 90%
- Highest Scores (91 - 100%)

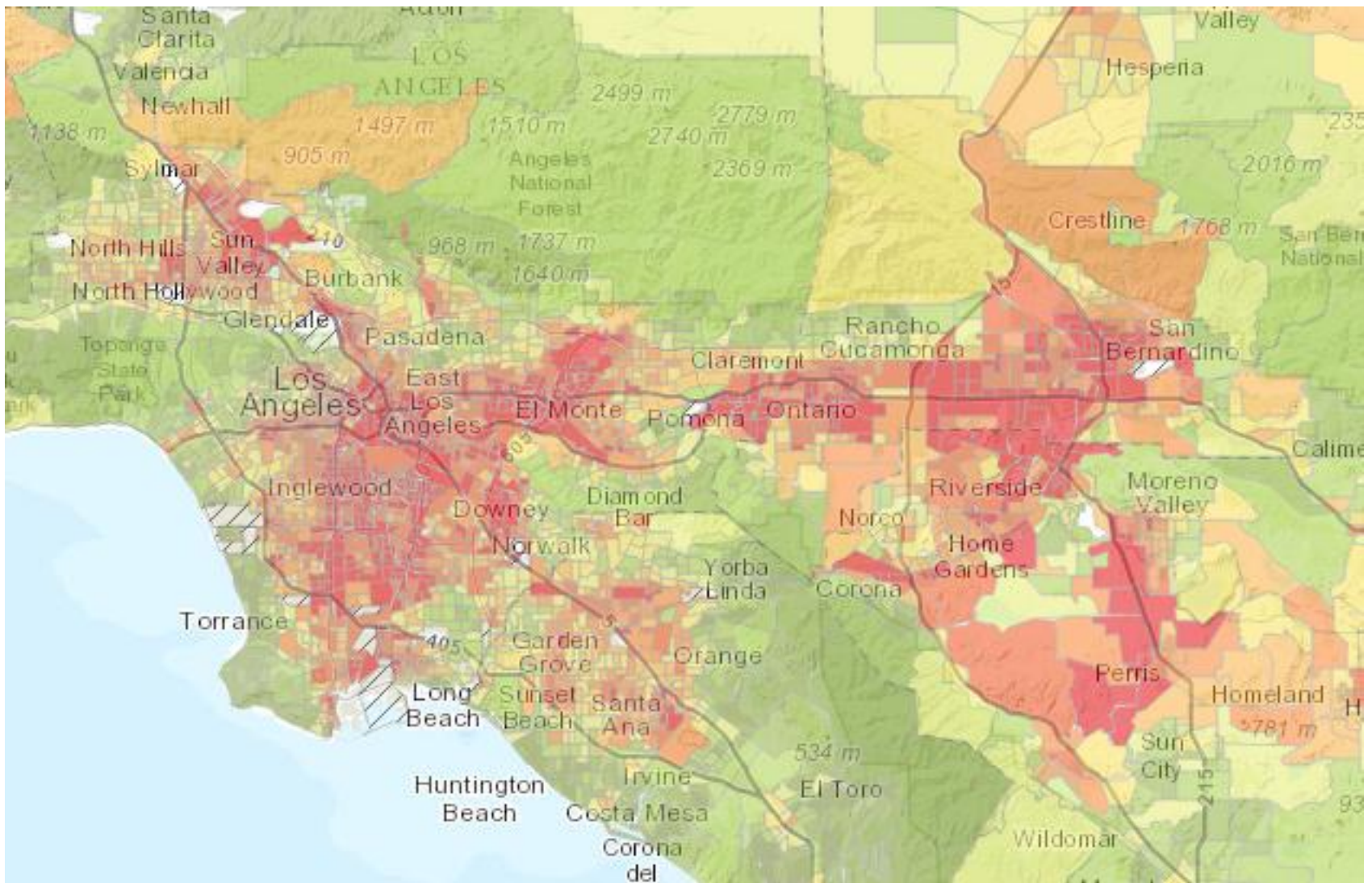
High pollution, low population



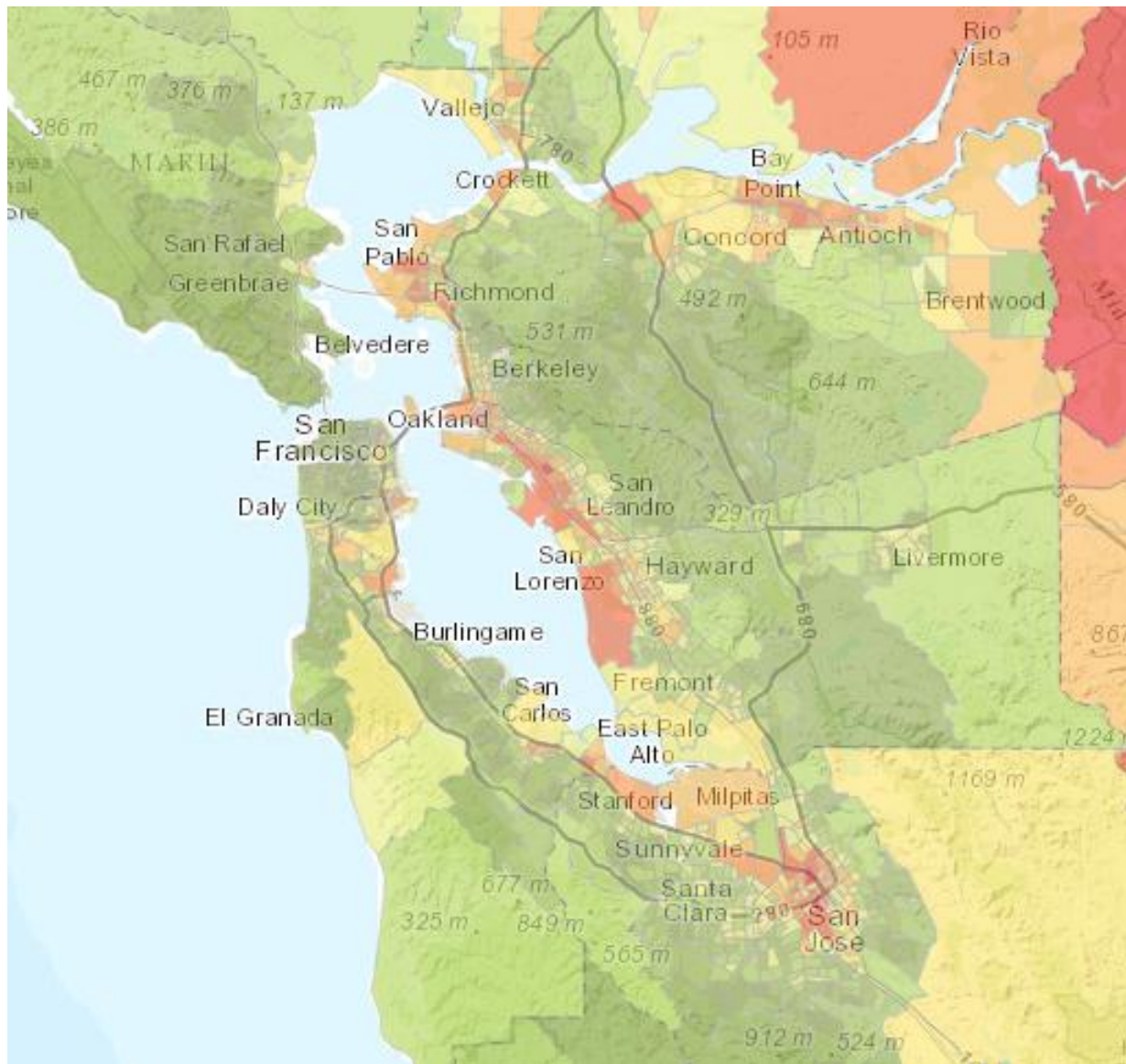


# Sacramento



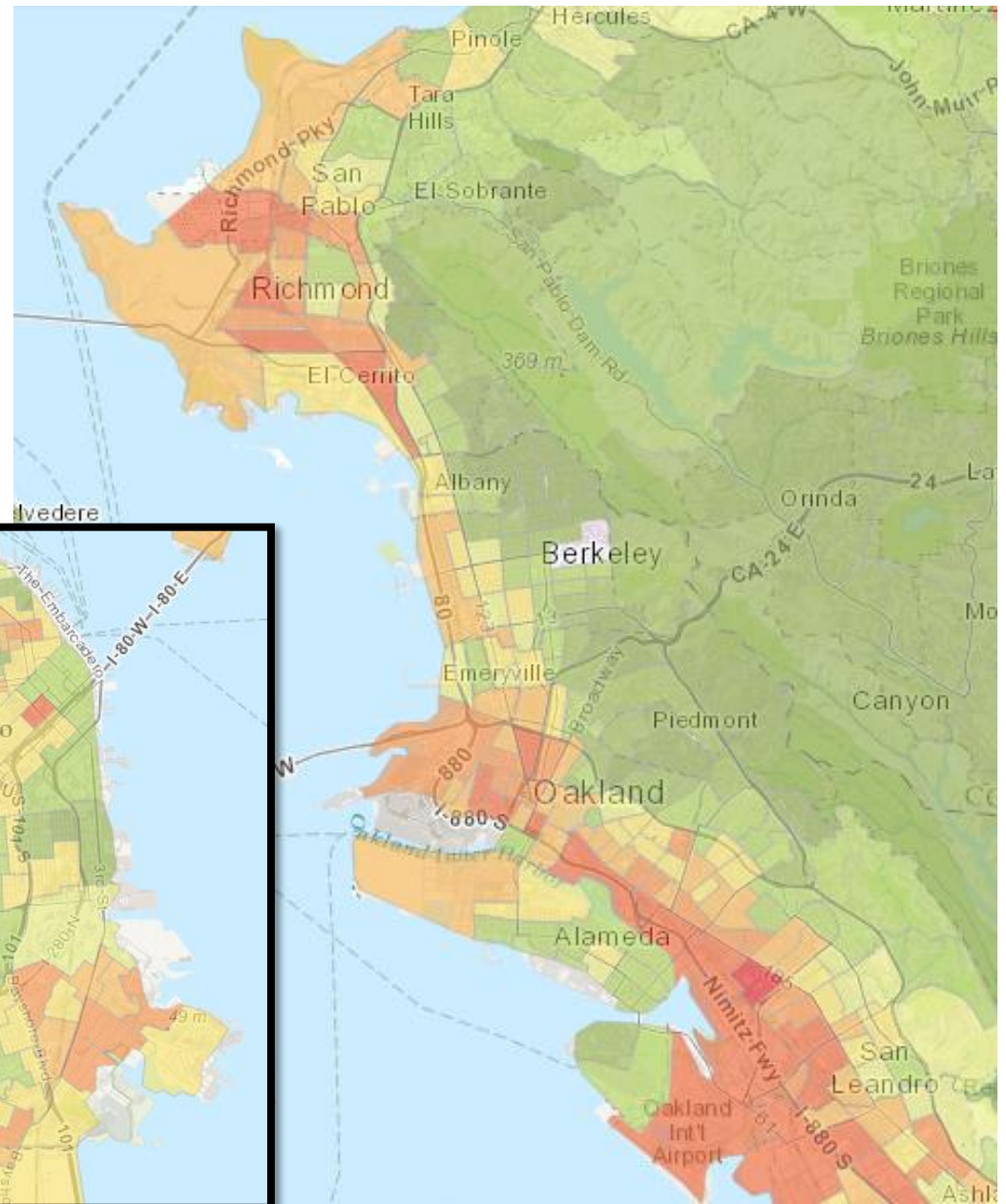
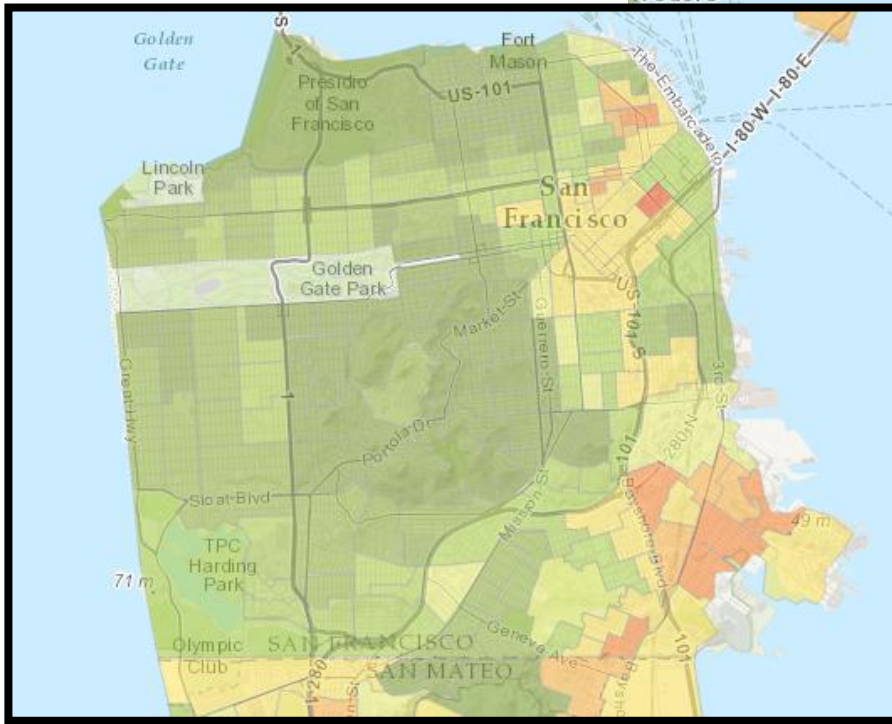


# Los Angeles and Inland Empire



# Bay Area

# San Francisco and East Bay



# Tensions with Benefitting DACs

- CalEnviro Screen looks at many types of pollution and population factors; affordable housing investments may best address a select few, e.g. reducing traffic density and poverty, but not necessarily pesticide use/exposure.
- The best housing sites for GHG reduction and co-benefits may not be within Disadvantaged Community census tracts, e.g.:
  - May not be located near amenities such as transit, jobs, and services, that allow for vehicle miles traveled reductions.
  - More likely to be in close proximity to hazardous waste, poor water quality, etc.
- Limiting the use of AFHC funds to Disadvantaged Community census tracts limits access to communities of opportunities.
- Creating access to communities of opportunities for households in low income census tracts is already a priority for HUD and HCD via Affirmatively Furthering Fair Housing rule.

# Options to Defining Benefit to DACs

- **ARB: Use of AHSC \$ must meet  $\geq 1$  of the following criteria:**
  1. Be within  $\frac{1}{2}$  mile of a DAC and reduce VMT and be designed to avoid displacement of DAC residents and businesses.
  2.  $\geq 25\%$  of project work hours by DAC residents.
  3.  $\geq 10\%$  of project work hours by DAC residents participating in job training programs leading to recognized credentials/certifications.
- **CalEPA top two proposals for defining DACs:**
  1. Top combined CalEnviro Screen census tracts
  2. Mix of low and high scoring characteristics
- **AHSC Program Design Proposals that could address tensions:**
  - Occupancy preference for DAC residents statewide
  - Regional Allocation Formula (similar to TCAC)

# Design Principles for AHSC Program

- 1. Maximize leveraging of federal Low Income Housing Tax Credits by adopting a geographic allocation approach complementary to TCAC's 9% competitive system**
  - Include a set aside for rural areas
  - Time rounds and allocations to facilitate LIHTC applications.
- 2. Ensure that all AHSC awards reduce VMT significantly**
  - Use proven VMT reduction models of transit proximity for urban areas
  - Recognize VMT reduction potential of location efficiencies in other areas
- 3. Recognize the importance of benefitting DACs and Affirmatively Furthering Fair Housing by creating an occupancy preference for DAC residents statewide and providing assistance with outreach and screening.**
  - Preference could apply to %units equal to ratio of AHSC \$ to non-AHSC \$



California  
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*California's Experts on Affordable  
Housing Finance, Advocacy & Policy*

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