TO: Julie Alvis  
Deputy Assistant Secretary  
California Natural Resources Agency  
1416 Ninth Street, Suite 1311  
Sacramento, California 95814

FROM: Cynthia Marvin, Chief  
Transportation and Toxics Division

DATE: February 13, 2017

SUBJECT: GREENHOUSE GAS REDUCTION FUND: CALIFORNIA NATURAL RESOURCES AGENCY EXPENDITURE RECORD FOR FISCAL YEAR 2016-17 – URBAN GREENING PROGRAM

Thank you for submitting the final expenditure record (attached) on behalf of California Natural Resources Agency (CNRA) on February 1, 2017 to satisfy the requirements of Senate Bill 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012) for expenditures from the Greenhouse Gas Reduction Fund (Fund). We appreciate the iterative consultation process with CNRA staff on the development of this record to support expenditures from the Fund for the Urban Greening Program.

This memorandum documents that Air Resources Board (ARB) staff concurred that the attached record is consistent with the statutory requirements of Government Code Section 16428.9 and with ARB’s expectations, as documented in the Funding Guidelines for Agencies that Administer California Climate Investments.

The CNRA Expenditure Record for the Urban Greening Program for Fiscal Year 2016-17, along with this memorandum, will be published on ARB Cap-and-Trade Auction Proceeds website at: [www.arb.ca.gov/auctionproceeds](http://www.arb.ca.gov/auctionproceeds).

If you have any questions concerning this memorandum, please contact me at (916) 324-0062 or via email at Cynthia.Marvin@arb.ca.gov.

Attachment

cc: See next page.
**Greenhouse Gas Reduction Fund: Expenditure Record**

**Fiscal Year: 2016-17**

California Natural Resources Agency  
Urban Greening

**Authorizing legislation:** Item 0540-101-3228 of Assembly Bill 1613, Committee on Budget, Budget Act of 2016 (Chapter 370, Statutes of 2016), and Senate Bill 859, Committee on Budget and Fiscal Review, Public Resources: Greenhouse Gas Emissions and Biomass (Chapter 368, Statutes of 2016)

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

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency that will administer funding</td>
<td>California Natural Resources Agency</td>
</tr>
<tr>
<td>Amount of proposed expenditure and appropriation reference</td>
<td>Assembly Bill 1613, (Committee on Budget, Budget Act of 2016, Chapter 370, Statutes of 2016), Item 0540-101-3228, appropriates $80.0 million to the Secretary of the Natural Resources Agency, payable from the Greenhouse Gas Reduction Fund, to be used for administering an Urban Greening Program.</td>
</tr>
<tr>
<td>Estimated amount of expenditures for State agency administrative costs</td>
<td>Not more than 5 percent ($4 million) of the amount appropriated in Item 0540-101-3228 may be used for administrative costs of the urban greening program.</td>
</tr>
<tr>
<td>If applicable, identify laws or regulations that govern how GGRF funds will be used</td>
<td>Senate Bill 859 established the program and provides direction on how the funds will be administered. AB 1532 (Pérez, Chapter 807, Statutes of 2012), 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.</td>
</tr>
<tr>
<td>Continuation of existing Expenditure Record</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Project category</td>
<td>Natural Resources and Waste Diversion</td>
</tr>
</tbody>
</table>
The Urban Greening Program will fund projects that result in net greenhouse gas (GHG) benefits by sequestering carbon, decreasing energy consumption, and reducing vehicle miles traveled.

Examples of eligible urban greening projects may include, but are not limited to, the following:
- Establishment, enhancement and expansion of neighborhood parks and community space through acquisition, and other mechanisms;
- Greening of public lands and structures, including schoolyards, and which may include incorporation of riparian habitat for water capture and provide for other public and wildlife benefits;
- Green streets and alleyways;
- Non-motorized urban trails that provide safe routes for travel between residences, workplaces, commercial centers, and schools;
- Urban heat island mitigation and energy conservation efforts.

Intended recipients
- Cities
- Counties
- Special districts
- Nonprofit organizations
- Joint powers authorities (entities formed pursuant to the Joint Excise of Powers Act).

Process for selecting projects for funding
- Projects will be selected through a competitive process based on the merits of the applications submitted and the proposed use of the funds, including the extent to which projects result in net GHG benefits.
- The threshold requirements and application selection criteria will be described in the Urban Greening Grant Program Guidelines.

(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 reflected in the three-year Investment Plan and the Scoping Plan

- AB 1532 (Perez, Chapter 807, Statutes of 2012) requires that GGRF moneys be appropriated in a manner that is consistent with the three-year Investment Plan. The Cap-and-Trade Auction Proceeds Second Investment Plan identifies targets and goals for natural and working lands, including “increase urban tree canopy and expand green infrastructure to sequester carbon and increase energy efficiency of the built environment.” Additionally, “[t]he benefits of urban forests and the greening of built environments that can result in climate benefits are also important. These benefits, including carbon sequestration, air filtration, community cooling, improved active transportation and recreation conditions, improved storm-water runoff, and water retention, can each provide incremental climate benefits.”

The First Update to the Climate Change Scoping Plan released in May 2014, identifies strategies and recommendations to continue reducing GHG emissions and achieve the goals and purposes of AB 32. One of the key recommended actions for natural and working lands is to “expand urban forestry and green infrastructure programs and investments, particularly in California’s environmental justice communities.”

(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 achieve GHG reductions or net GHG benefits

- All eligible projects will result in net GHG benefits by including at least one of the following activities:
  - Sequester carbon by planting trees;
  - Reduce building energy use from strategically planting trees to shade buildings or
  - Reduce commute vehicle miles traveled by constructing bicycle paths, bicycle lanes, or pedestrian facilities that provide safe routes for travel between residences, workplaces, commercial centers, and schools.

Expected time frame when reductions will be achieved and how expenditure will maintain GHG reductions or net GHG benefits

- For FY 2016-17 awards, net GHG benefits will begin as early as:
  - 2019 - Newly planted trees sequester carbon as they grow and are quantified over a 40 year project life;
  - 2019 - Trees avoid GHG emissions by shading buildings to reduce energy use and are quantified over a 40 year project life;
  - 2020 - Bicycle paths, bicycle lanes, or pedestrian
facilities constructed avoid GHG emissions by reducing VMT. Bicycle lanes are quantified over a 15 year project life (Class II and IV) or 20 year project life (Class I). Pedestrian lanes are quantified over a 20 year project life.

(4) A description of how the state 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.

- Urban Greening projects will be comprised of multiple components, including but not limited to:
  - Green streets and alleys that integrate green infrastructure elements into the street or alley design, including permeable surfaces, bioswales, trees, and tree canopy;
  - Non-motorized urban trails that provide safe routes between residences, workplaces, commercial centers, and schools;
  - And multi-objective stormwater projects, including the construction of permeable surfaces and natural collection basins and barriers.

- In addition to GHG benefits, these projects will provide co-benefits, which may include, but are not limited to:
  - Environmental and Climate Resiliency Benefits
    - Groundwater recharge
    - Water conservation/treatment
    - Enhanced or expanded wildlife habitat
    - Adaptation of urban areas to reduce vulnerability to climate impacts
    - Enhanced ability of natural systems to buffer the impacts of climate change
  - Economic Benefits
    - Workforce education or training opportunities
    - Employment and/or contracting opportunities for disadvantaged communities
  - Public Health and Safety Benefits
    - Enhanced recreational opportunities
    - Expanded access to parks
    - Improved air quality from avoided VMT
    - Enhanced or expanded safe routes to school

- The Urban Greening Program will fund projects that provide net GHG benefits. In addition, projects funded will mitigate the risks of climate change, direct investment toward the State’s most disadvantaged communities, and maximize additional environmental, economic, and public health and safety benefits.
CNRA Expenditure Record for the Urban Greening Program

Percentage of total funding that will be expended for projects that are “located within” and “provide benefits to” disadvantaged communities, per the criteria in Volume 2 of ARB’s Funding Guidelines

- At least 75 percent of the funding will be allocated to project that are located within, and provide benefits to, disadvantaged communities identified pursuant to Section 39711 of the Health and Safety Code.
- These funds will be allocated to projects that provide direct, meaningful, and assured benefits to a disadvantaged community, and that meaningfully address an important community need per ARB criteria. These criteria are listed in ARB’s Funding Guidelines for Agencies that Administer California Climate Investments and the Funding Guidelines Supplement for FY 2016-17 Funds.

Describe the disadvantaged community benefits and explain strategies the agency will use to maximize benefits

- Funding applications will include a checklist identifying applicable benefits to disadvantaged communities that a project will deliver and common needs of disadvantaged communities that the project will address.
- In determining community needs, applicants are asked to consider the factors in CalEnviroScreen, version 2.0, that caused an area to be defined as a disadvantaged community, report on needs identified during a public outreach process, or refer to documents that indicate community support. Community needs meaningfully addressed may include public health benefits, economic needs, or environmental needs.
- In evaluating projects, points will be awarded for projects that are located in and provide benefits to disadvantaged communities pursuant to Section 39711 of the Health and Safety Code.

(5) A description of how the state 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 agency will track and report progress to make sure projects are implemented per GGRF

- The California Natural Resources Agency will require funding recipients to maintain records and provide periodic status reports in accordance with the grant agreement. 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 program guidelines and grant agreement.

- Applicants are required to track and report on project implementation pursuant to ARB’s Funding Guidelines.

- The California Natural Resources Agency will require applicants to quantify net GHG benefits using a quantification methodology developed by ARB, “Greenhouse Gas Quantification Methodology for the California Natural Resources Agency Urban Greening Program Greenhouse Gas Reduction Fund, Fiscal Year 2016-17,” which will be available at: [https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm](https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm)

- The quantification methodology uses specific components of the Center for Urban Forest Research Tree Carbon Calculator (CTCC), and the U.S. Department of Agriculture Forest Service (USFS) i-Trees Streets tool, and the “Methods to Find the Cost-Effectiveness of Funding Air Quality Projects for Evaluating Motor Vehicle Registration Fee Projects and Congestion Mitigation and Air Quality Improvement Projects” (CMAQ Methods) to estimate the greenhouse gas reductions in urban greening projects.

- The Agency will collect data to document net GHG benefits in accordance with ARB’s Funding Guidelines, quantification methodology and other guidance. This may include, but is not limited to, the following:
  - Project location
  - Net GHG benefits over the project life
  - Investment in and benefits to disadvantaged communities pursuant to Section 39711 of the Health and Safety Code
  - Miles of bicycle paths, bicycle lanes, or pedestrian facilities created
  - Number of trees planted
  - Number of development rights extinguished
  - Avoided vehicle miles traveled and mode shift
  - Co-benefits, including acre-feet of storm/urban runoff, riparian acres preserved, etc.

- The agency will provide regular updates on expenditures, project status, project location, and benefits in reports to the Secretary of Natural Resources and reports prepared according to ARB’s Funding Guidelines.

- At a minimum, the reports will include expenditure amounts, project location, current estimates of net GHG benefits, and information on other applicable co-benefits.