February 9, 2024

Scott Wu, Executive Director
California Infrastructure and Economic Development Bank
Office of the Executive Director, P.O. Box 2830,
1325 J Street, Suite 1300,
Sacramento, CA 95814

RE: Climate Financing Request for Information

Dear Director Wu,

On behalf of The Greenlining Institute and Just Solutions Collective, alongside the California Environmental Justice Alliance, the California Public Banking Alliance, Friends of the Earth US, GRID Alternatives, Natural Resources Defense Council, Public Bank East Bay, and Rise Economy (formerly California Reinvestment Coalition), we extend our appreciation for the opportunity to provide equity-centered insights in response to the Request for Information ("RFI") issued by the California Infrastructure and Economic Development Bank ("IBank") and the State Treasurer's Office ("STO"). As organizations dedicated to furthering financial inclusion and climate justice in historically underserved communities, we see tremendous opportunities for California's "Green Bank" to support these communities via an anticipated sub-award from the U.S. Environmental Protection Agency's ("EPA") National Clean Investment Fund ("NCIF") as part of the Greenhouse Gas Reduction Fund ("GGRF").

The GGRF presents a transformative opportunity to extend financing opportunities to low-income and disadvantaged communities ("LIDACs") which have seen decades of disinvestment and a lack of access to safe and affordable credit and capital. This disinvestment, a direct result of discriminatory and racially biased housing policies and lending practices known as redlining, has subsequently led to LIDACs being more vulnerable to climate-related impacts. Therefore, we must meet this moment of climate mobilization with thoughtful attention to those LIDACs that are most vulnerable. While the GGRF includes requirements to benefit LIDACs, we encourage IBank and STO to consider such requirements a floor and to maximize investments in California's LIDACs.

Our response to this RFI draws from our collective expertise and commitment to justice-oriented initiatives. Our recommendations center on core principles of meaningful community benefits, wealth-building, community ownership, consumer protection, and accessibility. We are committed to working alongside IBank and STO throughout the implementation of this new climate finance strategy to ensure underserved communities are properly reached and these federal resources can be maximized.

(A) Financial Products to Fill Financing Gaps

A myriad of financing gaps exist in the current marketplace that have made access to climate finance challenging for LIDACs. These include, but are not limited to: the high cost of capital/high-interest rates; an unwillingness of financial institutions to underwrite smaller-dollar, custom loans; products with insufficiently short terms; credit history rendering applicants ineligible; lack of incentives and products designed specifically for renters; a need for bridge financing; and insufficient resources available to support predevelopment.

We examine these financing gaps more closely below alongside recommendations for financial products to address these needs.

- ➔ **Below Market Rate Capital**

  The GGRF's third program objective, "Mobilize financing and private capital to stimulate additional deployment of greenhouse gas- and air pollution-reducing projects," demonstrates the program's clear intention of using federal funds to socialize the risks of investment in order to incentivize sufficient climate action. However, as long as polluters continue to externalize their climate damage, market actors will continue to fail at deploying urgently needed clean energy technology and other climate solutions at scale unless and until the cost of such investments is significantly subsidized. Therefore, the availability of concessional capital will be critical to meet California's climate finance needs and fulfill the GGRF's third program objective, especially capital provided at rates and costs that are below the rates and costs for market capital taking on similar financing risk and positions.

  Recommendation: In order to realize the transformative potential of the GGRF, the Green Bank must be able to provide low-cost capital compared with market capital for similar investments. This concessional capital must be readily accessible, and therefore flexible, encompassing both debt and equity, as appropriate. Offering only debt financing at rates comparable to traditional financial institutions is not sufficient incentive to motivate borrowers to invest in urgently needed climate investments, especially for the 40 percent of NCIF funds that are required to be spent on financial assistance in LIDACs. To make the most of this opportunity, California's Green Bank must be bold and ensure that product offerings are set at the lowest interest rates possible.

  In addition to below-market rates, California's Green Bank should provide a flexible array of products and terms to compete for additional capital credibly. For example, offering loans in a subordinate position may be an effective way to attract more traditional capital through "de-risking." Another important part of the Green Bank's portfolio should focus on credit enhancements, such as loan loss reserves, loan guarantees, interest rate buydowns, and collateral support.

Examples of Established Financial Products:

- The Nordic Investment Bank, a multilateral public development bank, presents an instructive example in terms of productively competing with other public and private banks by "adjusting its terms and rates accordingly to make its offerings more attractive to clients."[1]
- Affordable and Special Needs Housing Program: Virginia's Department of Housing and Community Development offers forgivable, no-interest loans to support the construction of new and renovation of existing affordable housing units. Loan amounts are capped per project in order to leverage other funding sources, including LIHTC awards, local governments, and nonprofit grants.
- Mass Solar Loan Program: Massachusetts' solar loan program provides interest-rate buydowns in partnership with local lenders and operates a loan loss reserve to reduce risks to lenders while extending access to borrowers to lower credit scores.
- SELF: SAGE Homes Financing Options for Developers: SELF provides flexible, below-market rate financing for affordable housing developments that can be used for pre-development, gap funding, equity-type investments, and credit enhancements, conditioned upon the ability to meet a minimum debt service coverage ratio of 1.25.
- Community Efficiency Financing: Canada's Green Municipal Fund provides two funding options for municipalities to finance local home energy upgrade programs through a credit enhancement (in partnership with a third-party lender or utility) or a combination of a loan (provided through on-lending locally) and a grant.

➔ **Smaller-Dollar Products**

Community-based organizations and entrepreneurs from LIDACs have experienced disproportionate systemic barriers to accessing credit, particularly for small-dollar financial products. Anecdotal examples of ranges where communities have experienced challenges in accessing capital include in the $50,000 to $350,000 range for small businesses, as well as in the $1 million to $5 million range for larger capital projects. Loans and lines of credit in smaller amounts are often critical to community-scale projects, such as a community solar project, as well as Minority, Women, and Disadvantaged Business Enterprises (MWDBEs) who work in and create career and wealth-building opportunities in LIDACs. Traditionally, financial institutions have failed to meet these small-dollar credit needs because, among other reasons, underwriting smaller amounts incurs a proportionately larger fixed cost per transaction, making it less profitable to lenders.

Recommendation: IBank and STO should prioritize this unmet need for smaller-dollar loans and lines of credit by creating processes and mechanisms to both facilitate and

[1] Thomas Marois, Public Banks: Decarbonisation, Definancialisation and Democratisation, Cambridge University Press (2021), 130-131.

streamline the underwriting of community-scale projects and clean energy and climate-related MWDBEs (such as electricians and energy efficiency contractors). For example, the Green Bank can pool underwriting resources and standardize processes and criteria across participating partner lenders, such as CDFIs, MDIs, and public banks or local governments, in order to realize economies of scale and reduce the fixed cost of underwriting over a larger loan pool.

Examples of Established Financial Products:

- DC Green Bank Small Business Loan Fund: In partnership with City First Enterprises, a local CDFI, DC Green Bank operates a $1 million loan pool, capitalized with contributions from both lenders, and also provides a loan loss reserve for the entire pool.

➔ **Predevelopment Products**

While there is an understandable emphasis in the GGRF program on deploying capital quickly to shovel-ready projects, projects that are owned by and most likely to meaningfully benefit LIDACs may need more time to reach the financing stage. At the same time, these communities are also far less likely to have access to the patient capital necessary to pull together a finance- and shovel-ready project. In order for the GGRF to truly serve communities that have historically experienced barriers to accessing credit and capital for infrastructure and related projects, resources need to be allocated to facilitate the cultivation and development of projects.

Recommendation: IBank and STO should fill this critical gap by offering a suite of predevelopment products designed to move community-scale projects to shovel-readiness. Specific to the GGRF categories of Distributed Energy Generation and Storage and Net-Zero Emissions Buildings, California's Green Bank should prioritize financing health and safety improvements and other deferred maintenance necessary for electrification and/or installing solar plus storage. Predevelopment financial products should also be available to address costs like land acquisition, remediation, and early-stage working capital to facilitate robust community engagement as part of project development. Other predevelopment costs these products should cover include energy audits, site assessments, feasibility assessments, architecture and engineering, legal services, and general operating support. These products should exist as standardized product lines as to facilitate underwriting efficiency while retaining some opportunities to tailor predevelopment products for specific community project needs. These may be offered in various structures, including as forgivable debt or recoverable grants, to fit the needs of differing projects and, when applicable, supplement or augment other State resources to support the deep predevelopment work necessary to bring community-driven projects to fruition.

Examples of Established Financial Products:

- LISC DC: Recoverable Grants for Predevelopment: One example includes LISC DC providing a $100,000 recoverable loan to cover 20% of the overall predevelopment cost of the preservation project.
- DC Green Bank: Pre-Development Loans: DC Green Bank's standard Predevelopment Loans is for up to $250,000 but allows for customization.

➔ **Fast Capital: Bridge or Interim Financing**

Many Inflation Reduction Act (IRA) tax credits, rebate programs, and grants offer improved opportunities to reach LIDACs with transformative investment. However, individuals and entities must have sufficient income tax liability to access tax credits. The amounts provided by the tax credits and rebates, as well as the fact that federal grants are often provided on a reimbursement basis, still require significant up-front capital, rendering them challenging for LIDACs and their residents to access.

Similarly, community land trusts and other community-based organizations can benefit from interim financing available on a simultaneously fast and patient basis for short-term purposes such as purchasing property to preserve its affordability. For example, if prospective tenant buyers learn that their landlord intends to sell the property, interim financing may be needed to complete the purchase while tenants organize themselves and assemble permanent financing. Additionally, while several IRA grant programs intentionally target environmental justice communities, they still operate on a reimbursement basis. Community-based organizations that may be prime applicants for such grant programs may be categorically excluded if they cannot manage cash flow for the project on a reimbursement basis.

Recommendation: IBank and STO should seek opportunities to create products to facilitate easy accessibility for LIDAC households, businesses, and community-based organizations to leverage resources, grants, and incentives offered by the IRA and other sources. IBank and STO should strategically analyze which incentives have structures that are disadvantageous to LIDACs and create products to directly address these gaps. These should include bridge loans for solar and storage, electric vehicles, weatherization, energy efficiency and electrification, and appliance replacements. Another key bridge loan is operating financing for organizations with committed federal dollars only available on a reimbursement basis.

Additionally, interim financing products should be developed to provide for short-term property acquisition in support of local anti-displacement policies, like San Francisco's Community Opportunity to Purchase Act or Los Angeles County's Land Bank Pilot, with linkages to permanent financing for energy efficiency and decarbonization retrofits and new construction of net-zero affordable housing. Another type of interim financing to consider is short-term construction loans, for a term of six to 18 months, wherein the borrower only pays interest during construction and makes full repayment upon completion, at which point the borrower could leverage more traditional capital.

➔ **Specific Product Lines**

As STO and IBank consider the need to efficiently deploy capital and maximize GGRF resources, including leveraging secondary markets and streamlining underwriting processes, a slate of standard projects will ideally be established. Among these standard products, STO and IBank must consider financing the many facets of project development to ensure smooth implementation and the ability to effectively benefit LIDACs.

Recommendation: California's Green Bank should consider the entire universe of potential financing needs within each of EPA's priority project categories and ensure they are addressed via product offerings. These needs should be addressed either with specific, individual products designed to be maximally accessible (zero interest and/or forgivable) or bundled with a broader product for a project.

Below, we offer an initial, non-exhaustive list of example product types directly sourced from LIDACs. This list is intended to be additive to the project types EPA has outlined as example eligible projects in the Notice of Funding Opportunity for the NCIF. **We intend to submit a follow-up memo in the coming weeks elaborating on this list and offering additional details, examples, and recommendations.**

(1) *Distributed Energy Generation and Storage*
- Roof repair and/or replacement in preparation for solar installation
- Electrical panel upgrades and/or replacement in preparation for solar installation
- Islanding equipment to enable clean community microgrids

(2) *Net-Zero Emissions Buildings*
- Building health and safety improvements in preparation for net-zero and decarbonization measures

(3) *Zero-Emissions Transportation*
- Light duty purchase and lease
- Medium- and heavy-duty purchase and lease, specifically for small fleets (fleets of 20 or less) and owner-operators
- Charging infrastructure, specifically publicly owned, at affordable housing sites, and/or aligned with the EnergIIZE EV Jump Start Program

Additionally, the Green Bank should be prepared to offer a few key standard products for community-oriented projects that fall outside the above priority categories. These may include financing products for projects such as Resilience Centers and water-related infrastructure. Further, the Green Bank should make a point of altering underwriting criteria in order to extend products to underserved constituencies. This includes disadvantaged unincorporated communities, manufactured home communities, and especially California Native American tribes given the unique financial and sovereignty circumstances of those communities.

➔ **Patient Capital: Longer Terms**

While there is obviously an urgency to address the climate crisis, most acutely in LIDACs, a long-term approach can be especially beneficial for reaching historically underserved communities. In addition to having a longer time for repayment, longer terms offer the opportunity to lower future interest rate risk with a locked-in fixed rate, mitigate risks from project delays caused by emergent issues like supply chain disruptions, and afford more time for a project to meet goals and potentially generate returns.

Recommendation: IBank and STO should maximize opportunities for LIDACs to build wealth and develop community-led projects via low-cost, flexible, patient capital, including loans with terms of 10 or more years and/or structured as equity-equivalent products. Affordable financial products with a longer runway to realize results can be a game-changer for projects and organizations seeking to achieve long-term change.

Examples of Established Financial Products:

- Bank of North Dakota: Flex PACE for Affordable Housing: This state-owned bank offers financing for affordable housing and childcare centers with negotiable repayment terms of up to 20 years.

➔ **Equitable and Transparent Underwriting Standards**

Underwriting practices of traditional financial institutions have historically lacked transparency and incorporated provisions such as credit scores/ratings that are known to be influenced by historic racism. While California's Green Bank certainly needs to guard against excessive risk for the good of the entire program, flexibility to consider alternative criteria should be considered in order to fulfill requirements and goals to meaningfully reach LIDACs.

Recommendation: The Green Bank should publicly disclose underwriting criteria for standardized products. Further, a thorough analysis should be conducted, and made available to the public, which identifies criteria that may pose impediments to financing community-centered projects in LIDACs. Further, this analysis should include alternative criteria the Green Bank plans to utilize to increase the accessibility of available financing.

Resource:

- Beneficial State Foundation Underwriting for Racial Justice: The Foundation is working with over 60 underwriters to develop solutions to increase credit access to people rising from long standing systemic inequities and barriers, particularly communities that are majority people of color.

➔ **Low-Cost Equity Investments**

By using a market co-creating and shaping framework[2] in deploying climate finance, California's Green Bank can ensure that the rewards of public investment are productively recouped for public purposes by taking equity stakes in strategic public investments. For example, during the early COVID-19 pandemic crisis in 2020, Germany's KfW public development bank provided equity injections into strategically important firms. Low-cost equity investments are instrumental in scaling the work of mission-based entities, small businesses, and developers who lack access to investors or whose projects, due to their mission-driven nature, may not deliver returns found elsewhere by traditional equity investors. Offering low-cost equity may also be more attractive to certain projects or enterprises because it results in less ownership dilution than traditional equity financing.

Recommendation: California's Green Bank should create a mechanism, such as a dedicated fund or syndication pool with partner lenders or impact investors, allowing for direct investment of low-cost equity into community-led projects or mission-driven small businesses. This mechanism should be programmatically linked to facilitate combining with other available financial products to provide maximum flexibility for a variety of financing structures. Likewise, the Green Bank should also consider offering sponsor equity, capped at 20% of total project costs, convertible to long-term, low-cost debt once a project is built.

➔ **Tariffed On-Bill Solutions**

It will be important for IBank and STO to seek creative new models for channeling capital. Tariffed on-bill financing, also known as inclusive utility investment (IUI), allows utilities to make site-specific energy efficiency improvements to buildings, pay for the costs, and recoup the cost via a tariff on the customer's bill, typically at a rate that allows the customer to still enjoy lower bills. IUI offers a promising opportunity for LIDAC customers to benefit from a more energy-efficient home and lower energy bills without taking on debt. However, critical to the success of any IUI model are strong consumer protections to guard against predatory behavior and unintended consequences for LIDAC customers in particular.

With tariffed on-bill solutions are still being explored at the California Public Utilities Commission and the California Energy Commission, the Green Bank needs to be center stage in discussions with utilities considering these models to be able to facilitate the effective flow of capital. The Green Bank should play a leadership role in prioritizing access of IUI for LIDAC customers in a way that centers protections and safeguards, and ensures LIDAC customers directly benefit from such a model.

[2] Andrea Laplane, Mariana Mazzucato, "Socializing the risks and rewards of public investments: Economic, policy, and legal issues," Research Policy 49S (2020) 100008 https://doi.org/10.1016/j.repolx.2020.100008.

Recommendation: IBank and STO should continue to actively participate in CPUC and CEC processes considering tariffed on-bill solutions, and uplift critical consumer protection provisions to ensure safety for LIDAC customers. These protections could include, but are not limited to, guaranteed bill savings, safeguards against service disconnections due to non-payment, and ensuring customers who are eligible for direct support programs are referred to those first.

(B) Intermediaries and Partnerships

By operating in the largest subnational economy in the world and the most populous state in the nation, California's Green Bank has its work cut out for it when it comes to deploying capital at scale across the state. Fortunately, there are many promising partnership opportunities for STO and IBank to consider which can deliver various efficiencies and co-benefits in line with the GGRF's program objectives. The Green Bank should pursue partnerships with philanthropic sources as well as co-lending, joint ventures, and other arrangements with existing community lenders — particularly CDFIs, MDIs, credit unions, and mission-driven community banks that are already trusted and actively investing in LIDACs, and whose work the state should not duplicate. We further recommend that STO and IBank prioritize the following potential platform partnerships:

➔ Public-Public Partnerships within California

California's Green Bank has a readily accessible and diverse field of public entities within the state that should be prioritized for partnership, including cities and counties, as well as their instrumentalities and related entities like flood control districts, sanitation districts, transit agencies, and public housing authorities. As of 2023, 253 cities and counties, covering 73 percent of the state's population,[3] already have Climate Action Plans to address their most critical climate-related priorities. Local governments are thus well-positioned to identify projects that are already aligned with local priorities and vetted with local stakeholders, and may also be able to layer on their own policy supports (such as electrification incentives or local rental efficiency standards) to better ensure the success of Green Bank-supported projects. IBank and STO can leverage their existing expertise and experience working with and providing financing to local governments through programs like the Local Agency Investment Fund and Infrastructure State Revolving Fund to provide similarly streamlined but customizable financial products for local agencies to address their climate priorities.

➔ Local and Regional Housing Finance Authorities and Public Banks

Building on years of experience operating a variety of municipal and county loan programs, the recent establishment of two regional Housing Finance Authorities (HFAs), the Bay Area Housing Finance Authority and the L.A. County Affordable Housing Solutions Agency, as

[3] Michael R. Boswell, "California Climate Action Plans: 2023 Status Report," September 2023 https://www.dropbox.com/scl/fi/07nuidhr3ikgeynelmwnb/California-Climate-Action-Plan-Reports-2.pdf.

well as nascent public banks under development and study in San Francisco, Los Angeles, the East Bay, and Sacramento demonstrate the growing demand among cities, counties, and regions to develop public purpose financial infrastructure to address the unmet credit needs of residents and local businesses. In partnering with California's Green Bank, these institutions can originate projects and provide other functions, such as loan servicing, as their growing capacity allows.

In the case of the proposed public banks, they are required by state law to collaborate with local financial institutions, like credit unions and CDFIs, through loan participations, further leveraging the impact of public dollars. In addition to co-lending, IBank and STO should consider partnership arrangements with HFAs and local public banks such as lines of credit, standing lending facilities, and loan purchasing programs. California's Green Bank can also provide pooled underwriting resources and certain "back office" services as appropriate, such as regulatory compliance, to these entities. Technical assistance for these entities, as well as CDFIs and credit unions, is also critical to ensuring that these funds are invested successfully.

➔ **Community Choice Aggregators (CCAs), Publicly Owned Utilities (POUs), Regional Energy Networks (RENs), and Investor-Owned Utilities (IOUs)**

Combined, California's 25 CCAs and dozens of POUs serve approximately 17 million electric customers, including residences and businesses. Because CCAs and POUs already generate, procure, and deliver electricity to a substantial portion of the state's energy users, they have the proven ability to originate projects, especially distributed generation and storage, as well as zero-emissions transportation projects like deploying electric vehicle chargers. CCAs and POUs can also leverage NCIF-sourced financing by combining it with other sources, like revenue bonds or energy efficiency programs. For residential projects, they can implement on-bill financing where loan payments are funded by energy bill savings and prioritize LIDAC customers with the highest energy burdens. In contrast to IOUs, CCAs and POUs can operate more nimbly in deploying these projects. Partnering with CCAs and POUs could serve as a proof of concept before attempting to scale up with the IOUs that serve the majority of Californians.

California's RENs also offer significant potential as partners, as they currently serve almost 34 million Californians by administering energy-saving programs, including reaching underserved communities and providing various types of financing.

Finally, while we emphasize the above partnerships for their transformative potential and the opportunity for more public accountability, California's IOUs are certainly essential partners for California's Green Bank as well. Not only are the majority of California residents IOU customers, but they host various, intertwined energy programs and are essential for coordinating interconnection, for example. The Green Bank should build strong relationships with the IOUs and be a champion for facilitating better access and availability of clean energy resources for LIDACs.

➔ **California Energy Commission (CEC), California Climate Investments, and Additional State Agencies**

The CEC is the state's main implementer of various federal clean energy and energy efficiency programs, including the IRA home energy rebates, as well as many state programs, including the Equitable Building Decarbonization program. Because the rebate amounts available from the IRA do not cover the full cost of efficiency and electrification upgrades and are not applicable to common additional deferred maintenance costs, like mold removal or roof repair, these rebates may remain out of reach for many low-income households. Therefore, California's Green Bank should collaborate with the CEC to design complementary financing products to facilitate the uptake of these rebates. These products should also be designed for compatibility with the federal Weatherization Assistance Program and state Low-Income Weatherization Program. Partnering with CEC may be able to provide further synergies in drawing upon any remaining amounts from the state's allocations of the Department of Energy's Energy Efficiency Conservation Block Grant and Energy Efficiency Revolving Loan Fund Capitalization Grant.

In addition to the CEC, the Green Bank needs to maintain a strong working partnership with the California Air Resources Board (CARB). CARB hosts a number of critical initiatives leading California's transition to a greener economy. Notably, STO and IBank should seek best practices from the California Climate Investments program, particularly as it relates to community engagement, technical assistance, and delivering benefits to disadvantaged communities. Additionally, CARB can shed light on where financing gaps continue to exist and, thus, where the Green Bank can play a leadership role.

Additional agencies the Green Bank should work closely with include the California Public Utilities Commission (CPUC), the Governor's Office of Business and Economic Development (GO-Biz), and the Strategic Growth Council (Strategic Growth Council).

(C) Additional Recommendations

Especially with respect to reaching and meaningfully benefiting LIDACs and their residents, the effectiveness of these financial products and partnerships will largely depend on whether LIDACs are empowered to participate in the processes, from product design through project deployment and evaluation. Therefore, it is critical that California's Green Bank ensures that robust community engagement is conducted, technical assistance and capacity-building grants are provided to LIDACs, and transparency and accountability measures are incorporated throughout the state's climate finance activities.

As leaders of the GGRF Equity and Governance Best Practices Alliance, we encourage California's Green Bank to align and publicly commit to our "Best Practices for Equity and Governance," which we developed along with other environmental justice and equity policy practitioners and advocates with the intention of ensuring that impacted communities are directly benefited by GGRF investments.

➔ **Community Engagement**

This RFI represents an important first step in soliciting public feedback on the business of California's future Green Bank. However, moving forward, STO and IBank will need to work with significantly more transparency and offer additional opportunities for engagement with a wide host of stakeholders, most critically those representing LIDACs. We recommend STO and IBank create a robust community engagement strategy based on the Spectrum of Community Engagement to Ownership to create various opportunities for the Green Bank's strategy to be informed by the public. Sister agencies such as the Strategic Growth Council (SGC) should be consulted about how to design this engagement process to ensure an equitable process and outcomes.

➔ **Technical Assistance and Capacity-Building Grants**

While 40 percent of NCIF investments must benefit LIDACs, the communities intended to benefit will not be able to access and make use of them without targeted capacity-building grants and technical assistance. STO and IBank should consider partnering with sister agencies and philanthropy to provide additional grant resources to communities to come into readiness for financing opportunities. Investing in communities' capacity results in more resilient communities that are better prepared to lead, navigate bureaucracies, and partner with other stakeholders. Technical assistance will be needed to help communities solve novel and complex problems, from engineering expertise to advice on how to combine state-provided climate financing with other funding sources and newly available incentives, such as federal tax credits accessible via "direct pay." According to EPA's NCIF Notice of Funding Opportunity, technical assistance and capacity-building grants may be allowable costs as market-building, predevelopment, or program administration activities. California's Green Bank should take full advantage of this opportunity.

➔ **Transparency and Accountability**

Community Advisory Board: California's Green Bank should have a Community Advisory Board (CAB) that oversees the suite of products and investments deployed. Care should be taken to ensure that this board is empowered to exercise independent and meaningful decision-making authority. Ideally, the CAB could weigh in on individual investments; at minimum, the Green Bank should provide a mechanism that allows the CAB to vote on strategic directions and terms of products being offered. The CAB's membership should be representative of California's diverse LIDACs, and members should be fairly compensated for their time and labor in participating in the CAB.

Metrics and Indicators: It will be important for the Green Bank to track and make publicly available program outcomes for accountability and as proof of concept for how these funds are facilitating market transformation and benefits to historically disinvested communities. Given the multi-pronged set of GGRF Program Objectives, indicators should be developed for each objective such that borrowers can effectively track outcomes. The Green Bank should consider creating a publicly facing web portal that hosts the data on the Bank's financial, climate, and community benefit outcomes. A

helpful model for this includes the California Air Resources Board's map of California Climate Investments projects. Notably, it is also important that borrowers and other participants be supported and funded in any tracking and measurement that is required, as these efforts require investment of time and resources that can be overlooked by other funding and financing agencies.

Examples of indicators could include:

- Reductions in greenhouse gas emissions and air pollution:
- Allocation of benefits to low-income and disadvantaged communities:
  - Resident of a LIDAC;
  - Number of "clean" or "green" jobs supported;
  - Additional job tracking, including new job training and apprenticeship programs, job placement outcomes, and retention statistics;
  - Utility (energy and water) cost savings to consumers;
  - Improvements to climate resiliency (including extreme heat, drought, sea level rise, and inland flooding);
  - Community ownership and wealth-building opportunities, including increased net worth or net profits of individuals, cooperatives, or firms in LIDACs;
  - Opportunities provided by the project applicant for community members to provide input or have decision-making authority over components of the project.

Resources:

- California Air Resources Board for Assessment Methodologies for Co-Benefits
- General Guidance for Justice40 Implementation
- Addressing Racial Equity and Social Justice in Montgomery County Green Bank Programs

➔ **Consumer Protection and Additional Safeguards**

The GGRF is intended to financially assist projects that reduce or avoid emissions of both greenhouse gases and other air pollutants. However, some projects that may meet the EPA's definition of "qualified project" may still have the potential to cause harm to communities and the environment. In order to mitigate this risk, as well as to build trust with LIDAC residents, we urge IBank and STO to commit to excluding financial assistance for projects that use fossil fuels or combustion (of biomethane or hydrogen, for example).

Additionally, consumer-facing financial products should embed best practices for consumer financial protection. This includes but is not limited to ability-to-repay thresholds, clear and timely disclosures, and appropriate translation for Limited English Proficient customers. Further, taking lessons learned from the residential Property Assessed Clean Energy (PACE) program, predatory practices such as door-to-door sales should be prohibited Likewise, tenant protections and anti-displacement policies should be incorporated into financing any housing-related projects.

Once again, we thank STO and IBank for the opportunity to help shape the future implementation of the GGRF and the formation of California's Green Bank. We welcome any further opportunities to meet and discuss in more detail the above recommendations to ensure maximum benefit for historically underserved communities. For any questions or additional information, please contact Sylvia Chi at sylvia@justsolutionscollective.org and Monica Palmeira at monica.palmeira@greenlining.org.

Sincerely,

The Greenlining Institute
Just Solutions Collective
California Environmental Justice Alliance
California Public Banking Alliance
Friends of the Earth US
GRID Alternatives
Natural Resources Defense Council
Public Bank East Bay
Rise Economy (formerly California Reinvestment Coalition)