

**Metro**

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Metropolitan Transportation Authority

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**AD HOC SUSTAINABILITY COMMITTEE  
JANUARY 14, 2015**

**SUBJECT: CAP-AND-TRADE**

**ACTION: RECEIVE AND FILE REPORT ON HOW METRO SUSTAINABILITY INITIATIVES SUPPORT STATE GREENHOUSE GAS POLICY ALONG WITH UPDATE ON CAP-AND-TRADE INVESTMENT PROCESS**

**RECOMMENDATION**

Receive and file report on how Metro sustainability initiatives support greenhouse gas (GHG) policy along with update on cap-and-trade investment process.

**ISSUE**

Following the adoption of the Southern California Association of Governments' (SCAG) 2012-2035 Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS) in April 2012, Metro has taken several distinct steps to develop implementation policies and strategies, and to encourage greater consideration of sustainability in Metro's planning and practices. These actions are intended, in part, to position Metro for funding under the State of California's Cap-and-Trade program, as well as to establish a core set of sustainability oriented activities that can be funded through cap-and-trade.

Cap-and-Trade implementation under various programs is underway at the State level. This report provides an update on current status, as well as a review of Metro staff's efforts in preparation.

**DISCUSSION**

**Overview**

The California Cap-and-Trade program involves quarterly auctions of emission credits for greenhouse gas emitters regulated under Assembly Bill 32 (AB 32). Auction proceeds, known as the Greenhouse Gas Reduction Fund, are then reinvested in various projects to further reduce emissions. FY 14-15 will be the first year in which the State of California makes investments from the Greenhouse Gas Reduction Fund, after first-year auction proceeds (FY 13-14) were loaned to the General Fund. Total funding

available for the current year is \$870 million, divided into 11 programs administered by various State agencies.

The State, through the budget and legislation, has established several overlapping policies and priorities for cap-and-trade in addition to GHG emission reductions. These include:

- providing funding support for high speed rail;
- benefitting disadvantaged communities;
- funding affordable housing, particularly near transit; and
- implementing regional Sustainable Communities Strategies (SCS).

### General funding prognosis

We, in coordination with other departments, have tentatively identified eight programs under which we can pursue funding, with greatest potential prospects in the following programs:

- Low Carbon Transit Operations Program
- Transit and Intercity Rail Capital Program
- Affordable Housing and Sustainable Communities Program (AHSC)
- Low Carbon Transportation
- Fire Prevention and Urban Forestry

With the exception of the Low Carbon Transit Operations program, which is distributed via formula, all of the above programs will be distributed by competitive grants, and each has its own set of guidelines under development. Metro will likely be competitive in most programs, but cannot ascertain funding potential until selection processes are under way. In many cases, program guidelines favor broad geographic distribution. Further, the creation of 11 different programs will likely have the effect of diluting overall impact to any one region or recipient.

It should be noted, however, that overall auction proceeds may grow by as much as three times when transportation fuels become subject to cap-and-trade in FY 15-16. Given the potential scale of the fuel sector in cap-and-trade, further legislative or legal action is anticipated. It is nevertheless important for Metro, as a potential funding recipient, to establish itself within the overall program as funding opportunities grow.

### Affordable Housing and Sustainable Communities focus

Created by AB 862, the Affordable Housing and Sustainable Communities (AHSC) Program, administered by the Strategic Growth Council (SGC), will fund projects most closely aligned with the interests and purview of the Ad Hoc Sustainability Committee, including implementation of the First/Last Mile Strategic Plan, and active transportation initiatives. The program is intended to support implementation of regional SCS plans, and as such, Metro should be especially well-positioned, given its existing Joint Resolution and Work Program with SCAG.

State Senate Bill 535 (SB 535) stipulates that 50% of all funding for AHSC go to affordable housing developments. Draft guidelines released in October 2014 particularly emphasize funding housing for areas served by high quality transit, where housing is required in any individual project application. The guidelines also contain substantial project readiness requirements and per-jurisdiction award limitations.

Metro staff has actively participated in the guideline development process, including briefing members of the Council and staff, submitting a comment letter, and holding cooperative discussions with affordable housing developers and cities. Through these discussions, we have emphasized the value that Metro provides for State GHG reduction investments.

Metro's priorities for the finalization of AHSC guidelines include:

- Allowance of standalone transportation projects in high quality transit areas in limited circumstances;
- Revisiting of per jurisdiction limits;
- Simplification of project eligibility requirements.

Guidelines are currently scheduled to be finalized on January 20, 2015, with preliminary concept proposals due in February 2015. We will continue to provide updates to the committee as the program progresses.

### Disadvantaged Communities

Per SB 535, 50% of all expenditures from the Greenhouse Gas Reduction Fund are required to benefit disadvantaged communities (DAC). The identification of DACs is the purview of the California Environmental Protection Agency (CalEPA), which has chosen to use an environmental health screening tool called CalEnviroScreen for this purpose. The tool delineates DACs through a calculation based on environmental (especially air quality), socio-economic, and public health factors. DACs, as defined, are disproportionately located in both Los Angeles County and the Central Valley, and notably less prevalent in other major metropolitan areas. Earlier this year, similar DAC criteria were applied to the Active Transportation Program, in which Los Angeles County competed quite well, receiving more than its per capita share. Given the influence of DAC identification on competition for cap-and-trade funding, we anticipate the State will face pressure to revisit its designations.

### **NEXT STEPS**

SGC is expected to adopt AHSC program guidelines on January 20, 2015, in advance of the January 21 meeting of the Ad Hoc Sustainability Subcommittee, but subsequent to the preparation of this report. Staff will provide a verbal update on the final guidelines at the meeting. The current program schedule calls for concept proposals to be due in February 2015, and, as such, staff will proceed immediately to identify and

finalize partnership applications for FY 14-15 funding. Staff will continue to apprise the subcommittee of developments.

**ATTACHMENTS**

- A. AHSC comment letter
- B. Cap and Trade programs summary table
- C. Disadvantaged Communities Map

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# Metro

October 31, 2014

Mike McCoy, Executive Director  
Strategic Growth Council  
1400 10<sup>th</sup> Street  
Sacramento, CA 95812-2815

Re: AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES (AHSC) PROGRAM

Dear Mr. McCoy:

Thank you for the opportunity to comment on the draft guidelines for the AHSC program. We approach the guidelines and these comments with the full understanding that this program is of historic import for the State of California, and will provide a blueprint for our State and others to price carbon emissions and reinvest revenues in a way that reduces greenhouse gas (GHG) emissions and achieves broad societal co-benefits.

We believe that the leadership and vision shown by the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors has uniquely positioned us to assist you in achieving the goals of AB 32, SB 375, and Cap-and-Trade. We urge you to view us as a partner in your work. As the largest planner, builder and operator of public transportation in California, we have the capacity and track record to make a measurable impact in travel behavior and greenhouse gas emissions. Metro is currently engaged in the largest public transit improvement program in the United States. This effort will fundamentally transform Los Angeles. The transit corridors under construction are ideal candidates for investments of funds from the (AHSC). Two of these corridors, the Foothill Extension of the Metro Gold Line and the Crenshaw/LAX Transit Project are key priorities of the Board.

Further, we have established a portfolio of sustainability plans and programs that are directly linked to our region's Sustainable Communities Strategy (SCS) through our joint resolution and work program with the Southern California Association of Governments (SCAG). Metro is also the best laboratory for integrating transportation, housing, and land use as evidenced by our Countywide Sustainability Planning Policy, an active Transit Oriented Development planning effort, joint developments on Metro property, and numerous partnership efforts with cities and the County of Los Angeles. We are also active supporters and collaborators with the California High Speed Rail Authority (CHSRA), including our role in accommodating a High Speed Rail terminal at Union Station.

We would like to highlight a few Metro initiatives, among many others, that we believe are important precursors for successful AHSC implementation in Los Angeles County:

- **First/Last Mile Strategic Plan:** This plan, developed in collaboration with SCAG, creates a methodology and template for pedestrian, bicycle and other access improvements that can be applied at any fixed route transit station in the County.

- **Urban Greening Grant:** Through a grant provided by you, we are preparing a plan and toolkit for improving environmental function and rider experience for stations and the surrounding community.
- **Complete Streets:** Metro recently adopted a Complete Streets Policy to incentivize and provide guidance for local agencies in planning and implementing complete streets.
- **Union Station Master Plan:** – The Union Station Master Plan (USMP) is a vision and plan to guide future development at the station, including transit operations and new private and/or public real estate development. The USMP identifies transit improvements that will support anticipated increases in transit ridership at Union Station, both supporting and enhancing the transit experience. It also identifies projects that strengthen connectivity to and from the station and neighboring communities, primarily through a series of streetscape and active transportation improvements. The USMP is pre-certified for LEED ND, and will seek opportunities to pilot and showcase creative sustainability projects.
- **Connect US:** The ConnectUS plan was developed as a companion to the USMP. It is a community-driven plan that offers a prioritized list of public improvements that promote bicycle and pedestrians linkages to and from Union Station and the 1<sup>st</sup>/Central Regional Connector station and surrounding communities. **Joint Development:** Metro, in its capacity as a land owner, makes properties available to private developers to build transit oriented development. In addition to reducing auto use and increasing transit ridership through TOD, we have an impressive record of providing affordable units through this program. Currently 34% of all units produced or in development through the joint development program are affordable, and the majority of those units are affordable for very low income households. **Active Transportation:** Metro has successfully partnered with cities and Los Angeles County to plan and implement improvements for bicycle and pedestrian improvements, through the Call for Projects and other programs, and is currently working to implement bike share programs.
- **TOD Planning Grant:** Metro has awarded four rounds of the TOD Planning Grant, which provides funding to municipalities with land use control, to produce plans that remove regulatory barriers to Transit Oriented Development.

## IDEAL PROJECTS

As we review the guidelines and prepare for funding opportunities under AHSC, we have identified several potential projects, both in the near term and into the future. It should be noted that we support and are excited by the emphasis on partnership between housing and transportation providers that the guidelines call for. To that end, we have undertaken significant preliminary effort to coordinate with the development community as well as a number of local jurisdictions to discuss and identify potential partnership opportunities.

### *Potential project efforts for year one:*

- **Bicycle sharing:** We are currently implementing bike share efforts at pilot locations around LA County. AHSC funding could be used to both expand current implementation efforts as well as to test approaches to better integrate bike share as part of the transit system, including a common fare platform.

- **First/last mile implementation, pilot locations:** Metro has a portfolio of six pilot implementation locations for first/last mile strategies. We view AHSC as an opportunity to plan and implement additional locations with varying land use and mobility patterns. The larger portfolio will allow us to test strategies in different settings, refine our guidance, and better integrate first/last mile into Metro's standard operating process for station development and improvement. Note that we are actively seeking partnership opportunities to pursue first/last mile projects paired with affordable housing developments.

*Potential projects in future years:*

- **Union Station Forecourt and Streetscape Improvements:** The first stage of the USMP identifies improvements to the forecourt of the station (removing parking and creating a public plaza) as well as streetscape improvements that strengthen connections to the civic center and promote walking and biking connections to the station. All of this work will be opportunities for cutting edge sustainability projects and innovative urban greening approaches. Pending completion of environmental work, we view AHSC as an ideal funding source for this work.
- **First/last mile access improvements:** Similar to Union Station, Metro can identify several transit stations of significant importance to the region because of their location at employment centers or other major destinations, or because they are at smaller hubs or transfer locations. These locations are a high priority for first/last mile improvements.
- **Joint developments –** Metro has several affordable housing projects in progress through the joint development program,, including three projects in Boyle Heights, and additional projects at MacArthur Park and North Hollywood. The exciting possibilities created by AHSC are the potential to pursue first/last mile improvements for these sites or complete streets projects in conjunction with new development.

## GUIDANCE NEEDED TO ENABLE PROJECTS

Given the potential for innovative, high profile projects that directly respond to program goals set in statute, we encourage you to consider several adjustments to the draft program guidelines that would better accommodate these efforts. These include:

**Substantially revisiting the definitions for Integrated Connectivity Projects (ICP) –** The ICP category currently allows standalone mobility and access improvements in areas not served by high quality transit. This essentially limits connectivity and streetscape efforts to rural and suburban locations, unless they can be joined to an affordable housing development that meets project readiness, size, and other requirements. A better approach, we feel, would be to allow these projects in areas that are served by high quality transit under limited, defined circumstances. This should include 1) projects that develop streetscape improvements as a **precursor to housing development**, 2) projects that improve transit access to **employment centers**, and 3) projects that improve access to **regional and sub-regional transit hubs**. ICP projects defined this way would enable multi-component plans for sustainable communities to be realized in highly complex urban areas, and would allow for strategic improvements in places with high GHG reduction potential. We are happy to work with you to craft detailed definitions as needed.

**Revisit per-jurisdiction limitations on awards** which we believe will substantially and negatively impact large urban jurisdictions. These limits, both for number of projects and dollar amounts, will have the effect of reducing funding to the very areas that have invested most in transit, that have the greatest need for affordable housing, and that have the greatest potential for GHG reductions. We believe that geographic equity is a far less pressing concern than GHG reduction or serving disadvantaged communities, however we would be able to support revised per-jurisdiction limits, including limitations that are based on a per-capita share.

**Revisit required project size for TOD housing** – We are joining the housing development community in Los Angeles County, as well as a number of other jurisdictions, in requesting that you reduce the minimum project size for TOD from 100 to 40 units. We understand and support the need for projects of significant size in order to have the greatest possible GHG impact. That said, it is not typically feasible to deliver 100 unit projects in much of Los Angeles County due to limitations in the size of available infill sites, the difficulty of assembling larger sites, limited financing, and challenging approval processes. The objective of assuring development at an appropriate scale [to have impact on GHG] is adequately addressed through other requirements in the guidelines.

**Bicycle sharing eligibility and points** – The guidelines should recognize the role of bicycle sharing infrastructure and programming in improving mobility and addressing first/last mile issues. Bicycle sharing should be specifically identified as an eligible use and competitively rewarded with points, as the guidelines are currently drafted for car and ride share.

**Applicant eligibility** – Given the importance of transportation infrastructure improvements to any successful project, we urge you to allow transportation agencies as lead applicants. Transportation agencies, including Metro, are often the entity that has prepared plans that support sustainable communities, and it is often our infrastructure investments which catalyze multi-benefit projects. We support the notion that the local agency with land use authority should, at minimum, be a co-applicant in any application.

**Leverage of Prior Planning Efforts** – We support the concept of competitively rewarding projects that implement prior plans, but urge that the plans cited in the guidelines should specifically call out the regional Sustainable Communities Strategy as well as plans developed as part of an incentive/implementation program linked to the SCS (e.g., SCAG’s Sustainability Program).

**Project readiness** – We understand and support the need to identify “shovel ready” projects. We do, however, have specific suggestions for how project readiness can be most feasibly and appropriately demonstrated. In particular, to support affordable housing projects, we suggest allowing for an Exclusive Negotiating Agreement with a public entity to suffice for site control, as well as removing the requirement for CEQA clearance. We are happy to discuss this area with you further and to provide specific language and justification as needed.

## GENERAL COMMENTS

**Complexity and project eligibility** – We are cognizant that SGC faces a significant challenge in balancing and meeting the statutory requirements of the program including, first and foremost, GHG reduction, but also minimum funding requirements for disadvantaged communities and for affordable housing. We are concerned that the additional layering of eligibility requirements related

to project readiness, geographic distribution and other issues will severely limit the number of eligible projects. We would alternatively suggest that these non-statutory objectives be addressed through competitive preference and assignment of points. This approach would also make best use of the concept proposal screening process that is already contemplated.

**Disadvantaged communities** – While we are aware that disadvantaged communities (DACs) requirements will be addressed through separate guidelines, we urge you to consider the statutory requirement for benefit to disadvantaged communities as a minimum, not a maximum. Further competitive preference for DACs will assure the greatest co-benefits for air quality, health, and economic growth.

**Innovation** – We do not believe that the current draft guidelines adequately reward projects for innovation or for strategic importance in state or regional GHG reduction plans. We would urge competitively rewarding projects on this basis.

**Future revisions** – Finally, we are cognizant of the challenging time frames for implementing the AHSC program and for providing a set of projects that can make an immediate impact. That said, given the substantial uncertainty in creating a new program, we would suggest that you establish a specific expectation that guidelines will be revisited and revised for future years based on experience with the first round and periodically thereafter.

Thank you again for the opportunity to comment. We appreciate your efforts in developing this critical component of California's climate change policy. We look forward to working with you to ensure its success.

Sincerely,



Michael Turner  
Director, Government Relations, State Affairs

# Cap and Trade Programs

Category	Program	Department	14-15 Allocation	n-Going Allocation	Funding Opportunities
Sustainable Communities and Clean Transportation	High Speed Rail Project	High-Speed Rail Authority	\$250 m	25%	X
	Low Carbon Transit Operations Program	State Controller's Office/Caltrans	\$25 m	5%	X
	Transit and Intercity Rail Capital Program	CalSTA/Caltrans	\$25 m	10%	X
	Affordable Housing and Sustainable Communities Program	Strategic Growth Council	\$130 m	20%	X
	Low Carbon Transportation	Air Resources Board	\$200 m	Annual Appropriation	X
Energy Efficiency and Clean Energy	Energy Efficiency Upgrades/Weatherization	Community Services and Development	\$75 m	Annual Appropriation	X
	Energy Efficiency for Public Buildings	Energy Commission	\$20 m	Annual Appropriation	X
	Agricultural Energy and Operational Efficiency	Food and Agriculture	\$15 m	Annual Appropriation	
Natural Resources and Water Division	Wetlands and Watershed Restoration	Fish and Wildlife	\$25 m	Annual Appropriation	
	Fires Prevention and Urban Forestry Projects	Forestry and Fire Protection	\$42 m	Annual Appropriation	
	Waste Diversion	Cal Recycle	\$25 m	Annual Appropriation	







