



Metro

Los Angeles County
Metropolitan Transportation Authority

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December 1, 2014

TO: BOARD OF DIRECTORS

THROUGH: ARTHUR T. LEAHY *AL*
CHIEF EXECUTIVE OFFICER

FROM: NOELIA RODRIGUEZ *NR*
CHIEF COMMUNICATIONS OFFICER

SUBJECT: CAP AND TRADE PROGRAMS SUMMARY

ISSUE

The State Legislature adopted a framework for the allocation of cap and trade funds that sets out a series of 11 programs. This Fiscal Year, each program will receive a set dollar amount. In the coming years, some programs will receive a set percentage of funds while other program allocations will be determined in the annual budget process. All of the programs except for the allocations for the High Speed Rail project and the Low Carbon Transit Operations program are allocated via competitive processes at various state agencies.

At this point in time, the state agencies that implement the programs are in the process of drafting guidelines and requirements for each of the programs. It is anticipated that application processes for each of these programs would be initiated in early 2015. Metro staff has been working diligently with each of the agencies that will be implementing each program. This Board Box outlines the programs where funds may be available for Metro's projects and programs. A matrix is attached which summarizes the programs, administering agency, available funding amounts and anticipated opportunities for funding.

DISCUSSION

High Speed Rail (HSR)

This year the high speed rail program will receive \$250 million and in the future will receive 25% of all future cap and trade funds. This provides a long-term funding source for high speed rail and will allow them to begin to focus on the bookends. During the legislative process, the California State Transportation Agency, in which the High Speed Rail Authority (Authority) is housed, communicated in writing to the Legislature

that these funds would allow the Authority to make progress on the bookends. The Authority has entered into a Memoranda of Understanding (MOUs) between the Southern California transportation agencies and the Northern California transportation agencies that outline the investments that would be needed for the bookends, but to date there has been no funding source for these improvements.

Metro has worked with the Authority. The Authority Board has been very proactive in reaching out to local agencies. Chair of the Authority, Dan Richard has worked diligently with Metro and we were encouraged when Governor Brown appointed Katherine Perez-Estolano to the board last year. HSR CEO Jeff Morales has also been very committed to working with local agencies like Metro. In addition to the local HSR staff, Metro has been working very closely with the various State Transportation Agency deputy secretaries who are involved in this program.

Affordable Housing and Sustainable Communities Program (AHSC)

The AHSC program is funded at \$130 million this year and will receive 20% of all future cap and trade funds. This program is managed by the Strategic Growth Council (SGC). The SGC is comprised of various agency secretaries. SGC recently published guidelines for this program and Metro has submitted comments on those guidelines (see Attachment B). Additionally, our staff has been working with SGC staff on both the content of the guidelines and to outline the efforts at Metro that could be funded via this program. We have also been working through various coalitions such as the California Transit Association (CTA) and the California Council of Governments to ensure that our issues were raised by those coalitions. Our staff has also reached out to the affordable housing community to explore opportunities to partner on applications.

There are two key areas to highlight regarding the guidelines:

First is that the funds will be split into two programs. At least half of the funds will be available for affordable housing projects and half will be available for various sustainable communities projects. Again, these are competitive programs available to various agencies statewide.

The second issue is that the draft guidelines include a requirement that only one project will be allowed per jurisdiction. That requirement has raised significant concern around the state including amongst Los Angeles County stakeholders. Los Angeles County has 88 cities, one regional transportation agency, and there are various agencies that could apply for this program. A number of agencies have expressed concern with this requirement and we have specifically raised it with the staff at the Strategic Growth Council and the Deputy Secretary working on the guidelines.

Transit and Intercity Rail Capital Program

This program will be allocated through a competitive process at the California Transportation Commission (CTC). This program will receive \$25 million this year and

will receive 10% of future allocations. Guidelines are being drafted by the California State Transportation Agency. We have participated in the various listening sessions conducted by the Undersecretary for Transportation and we have had numerous discussions through the CTA with the Undersecretary. We anticipate guidelines for this program will be issued by the end of the year with an application process to begin sometime in early 2015. Again, we have been working closely through CTA and our partner agencies who share our concerns and the Undersecretary of Transportation has been very much available to discuss how these programs should be structured.

Low Carbon Transit Operations

The Low Carbon Transit Operations program will receive \$25 million this year and will receive 5% of future funds each year. These funds will be allocated using the State Transit Assistance Account formula which provides to Los Angeles County an amount roughly equal to the statewide share of the population of our county. These funds are also shared with the municipal operators in our county. The guidelines for this program were released on November 7, 2014. Agencies that are eligible for these funds will have to identify how the project or program on which these funds are used actually decrease greenhouse gases (GHGs) beyond existing levels.

Low Carbon Transportation

Lastly the Low Carbon Transportation program is under development at the California Air Resources Board (CARB) and will fund the purchase of alternative fuel vehicles. This program is funded at \$200 million this year and future allocations will be made in the budget process. Our staff has been working with CARB on a variety of programs related to GHGs prior to the development of this specific program and we are optimistic that relationship will benefit us as this program is developed.

Disadvantaged Communities Requirements

The entire cap and trade program is subject to the requirements of the Disadvantaged Communities program in which 25% of the funds must benefit Disadvantaged Communities and 10% must be in Disadvantaged Communities. The CARB has been developing this program and last week they finalized the identification of the communities in California. It's important to note that the measure for being a disadvantaged community is not based solely on economics; it is based on a combination of economics and exposure to greenhouse gas emissions. The Southern California Association of Governments (SCAG) was instrumental in ensuring that the criteria accurately reflected the conditions in Los Angeles County.

The Bay Area was concerned about the lack of [defined] disadvantaged communities in their area and attempted to reconfigure the requirements to benefit them. That effort was unsuccessful and the original CARB recommendations which favor LA stands.

Internally, staff has convened a multi-disciplinary group of staff, from long range planning, operations and construction which include our specialists in sustainability, clean fuel programs, grant applications, planning and programming, vehicle development, and others to ensure that all departments in the agency are aware of all the cap and trade programs. The group is scouring our programs to maximize the funding opportunities from the various cap and trade programs. These efforts will also include the Board's priorities dating back to the adoption of the Long Range Transportation Plan to prioritize funding for the Crenshaw LAX light rail project and the Foothill Extension of the Metro Gold Line.

NEXT STEPS

Staff has commented on the guidelines that exist and have offered input on the guidelines that have yet to be developed. It is anticipated that application processes will be established in early 2015. Staff will keep the Board apprised of the development of these programs and will continue to advocate that the programs should be structured in ways that will address the needs of Los Angeles County.

ATTACHMENTS

- A. Cap and Trade Program Matrix
- B. Letter to AHSC

Cap and Trade Programs

Attachment A
November 20, 2014

Category	Program	Department	14-15 Allocation	On-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	





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October 31, 2014

Mike McCoy, Executive Director
Strategic Growth Council
1400 10th 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. 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 1st/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.

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,

A handwritten signature in blue ink, appearing to read 'M. Turner', with a long horizontal flourish extending to the right.

Michael Turner
Director, Government Relations, State Affairs