March 31, 2014

The Honorable Jim Beall, Chair
Senate Budget and Fiscal Review Subcommittee #2
    Resources, Environmental Protection, Energy and Transportation
State Capitol Building, Room 5019
Sacramento, CA 95814

The Honorable Richard Bloom, Chair
Assembly Budget Subcommittee #3, Resources and Transportation
State Capitol Building, Room 6026
Sacramento, CA 95814

RE: The Cap-and-Trade Auction Revenue Expenditure Plan

Dear Chairmen Beall and Bloom:

As the leaders of the Sustainable Communities for All coalition, we submit these comments on the Governor’s proposed 2014-2015 budget, accompanied by suggested amendments to the Sustainable Communities Implementation Program trailer bill language.

As a coalition we share a commitment to focusing Cap-and-Trade expenditures on Californians who have the fewest resources to cope with the impacts of climate change. We support investing Cap-and-Trade revenues in transformational housing, transportation, and natural resource conservation choices that will put California firmly on the path to equitably achieving the goals of SB 375, allow everyone to drive less, reduce energy and household costs, and improve public health and sustainable economic development. Investments to improve and expand public transportation, urban forests and open space, increase biking and walking, and build transit-oriented homes affordable to low-income, high-propensity transit users will enable California to exceed its emissions goals and reinvest in our communities for maximum benefit.

For these reasons we commend the administration’s proposed creation of the Sustainable Communities Implementation Program and offer the following comments and recommendations:

We support state administration of the Sustainable Communities Implementation Program: We support the Strategic Growth Council (SGC) as the administering entity to guide these investments. The SGC is well positioned to distribute funds in an efficient and balanced manner by drawing on the

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expertise of existing state-administered conservation, housing, and transportation programs that fund the building blocks of sustainable communities. The SGC’s role has two clear values: As a state entity, it can use performance-based grant methodology to determine the best investments statewide given a limited set of funds; and, it can coordinate with state agencies that run existing, effective programs that promote sustainable communities and greenhouse gas reductions, such as the Department of Housing and Community Development’s Transit-Oriented Housing Development Program.

The following narrative comments complement the trailer bill amendments we recommend and are listed by the order they occur in the language.

Transit-oriented housing will achieve the greatest GHG reductions if focused on high propensity, lower-income transit riders: In order to maximize the impact of investment in TOD, the program should target funds to development of homes affordable to households earning 50 percent or less of area median income. These are the residents most likely to be displaced by rising land values around areas of transit investment and are also the people with the highest propensity to walk, bike, and use public transportation when it is available to them. Section 75212(a)

We urge the addition of transit operations as an eligible use: To strengthen the program, we respectfully urge the legislature and administration to expressly include transit operations as an eligible use of funding in order to sustain and expand transit service levels and ridership. While the trailer bill language includes capital projects as an eligible use of the Sustainable Communities Implementation Program, it does not include transit operations funds that are needed to sustain and improve service on the street, particularly for low-income, high-propensity transit riders. Section 75212(c)

Specifically, we support making eligible transit operating costs associated with cost-effective service improvements that will increase ridership, including the costs for no more than the first five years of enhanced service frequency and hours of operation on existing or new routes. Projects must demonstrate a reasonable commitment to maintain operations without Cap and Trade funds thereafter.

Public transit service is an essential building block for sustainable communities. If transit service is unreliable or is dramatically cut, potential riders lose faith and we increase the chance that urban and suburban centers will continue to get clogged with cars. When focused on specific, high-ridership corridors, transit operations and maintenance can be just as effective as transit capital expansion as a GHG reduction strategy. In fact, without adequate funding for operations, investments in transit infrastructure will be unable to meet their intended ridership goals and GHG emission-reduction objectives. As such, investments in transit operations are desperately needed.

First- and last-mile improvements near transit should be an eligible use: Infrastructure near transit stations that improves access to transit service such as local shuttle service, pedestrian and bicycle

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infrastructure can multiply the benefits of transit investment. Making walking and bicycling more attractive for the first-mile and last-mile connections to transit stops reduces additional vehicle-miles traveled between transit and housing, schools, jobs, and other destinations. **Section 75212(d)(2)**

**We recommend the addition of transit passes for low-income households as an eligible use:** Whether offered by colleges and universities, primary and secondary schools, affordable housing developers, or public agencies, free or heavily discounted transit passes for low-income households lead to much higher transit ridership and lower GHGs. First Community Housing, a developer of affordable apartment homes, provides free transit passes to residents in all its developments. A survey of 1,500 residents\(^1\) found that 64% use a pass more than four times a week and 22% said their passes reduced the number of cars owned in their household. School and university-focused pass programs demonstrate great benefits as well. Santa Monica City College launched its “Any Line Any Time” program in 2008 and by 2010 more than 40 percent of all students and staff arrived at the campus by transit during morning rush hours, lowering GHGs and relieving congestion. We believe this approach is in line with “programs supporting ridership,” as listed in the governor’s trailer bill language. **Section 75212(d)(3)**

**We support funding for the conservation of natural and working lands:** We commend the Governor’s budget proposal for including acquisition of agricultural lands as part of a sustainable community strategy to reduce emissions. For the same reason that agricultural lands should be conserved to help constrain GHG emissions, natural lands should also be conserved. The collective conservation of these landscapes not only helps constrain transportation-related emissions, but they can also sequester significant amounts of carbon dioxide and provide many other public benefits. We therefore support expanding the trailer bill language to include natural and working lands acquisition. **Section 75212(g)**

**Inclusion of schools in sustainable communities planning will address a significant emissions source:** Construction and reorganization of school facilities is a significant driver for housing and neighborhood development, yet schools and school districts do not participate in regional land use and transportation planning. Plans for sustainable communities investments in housing, transportation, and conservation should consider the impact of existing and potential new school sites, school enrollments and capacities, and transportation networks to and from school sites in order to maximize walking, bicycling, and transit use by students. Therefore, we recommend that agencies receiving planning grants through the Sustainable Communities Implementation Program be required to consult with local education agencies on the reciprocal impacts of anticipated school development on housing and transportation development. **Section 75212(h)(1) (A)**

**We support limited investments in planning that optimize GHG reductions and public benefits by integrating transportation, housing and natural and working lands:** The SGC is poised to integrate successful housing, transportation and conservation programs to help meet the goals of SB 375 and

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AB 32. We value this effort and believe that ultimately making housing, transportation and conservation programs work together will have synergistic benefits that are greater than the sum of their parts. We recognize that planning is a core need and will help integrate these strategies, and also want to ensure that plans result in timely GHG reductions. For this reason, we support planning to integrate these sectors as an eligible use of these funds, so long as such funds are linked with implementation and GHG reductions. Furthermore, total amount of funds dedicated to planning should be limited, with the majority of funding (90%) dedicated to projects. Section 75212(h)(1)(B) and (h)(2)

Investments should demonstrate co-benefits in addition to GHG reduction: The investments funded should produce significant GHG reductions, as well as important co-benefits as described in Health and Safety Code 39712, such as maximizing economic, environmental, and public health benefits, investing in disadvantaged communities, improved air quality, and job creation. Section 75213

Awards criteria should prioritize projects that reduce the risk of displacement: Significant research demonstrates the negative impact of large-scale public investment on existing lower-income residents, who are forced out of their homes by rising rents or building tear-downs. Northeastern University’s Dukakis Center studied 42 neighborhoods with newly improved transit and found that “in some of the newly transit-rich neighborhoods…a new transit station can set in motion a cycle of unintended consequences in which core transit users—such as renters and low-income households—are priced out in favor of higher income, car-owning residents who are less likely to use public transit for commuting.”

This displacement not only harms individuals, it robs transit systems of riders and results in fewer GHG reductions from the transit investment. For these reasons, strong local anti-displacement policies and investments in TOD affordable to lower income transit riders are critical to maximizing the impact of public investment in transit. We propose language to prioritize projects that reduce the risk of physical or economic displacement of lower income residents and to ensure project investments that could increase the risk of displacement demonstrate that appropriate project- and jurisdiction-level mitigation measures are in place. Section 75214(d)

We propose an additional $200 million of investment in the Sustainable Communities Implementation Program: Investments in robust public transit, biking and walking, green space, and energy efficient affordable homes in our communities are critical to meeting our climate goals, creating jobs, and saving working families money. Given the wide variety of goals and the additional eligible uses we are proposing, we believe this program warrants an additional $200 million investment above the proposed $100 million.

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We look forward to working with you to make the expenditure plan and resulting Sustainable Communities Implementation Program as strong as possible. Thank you for all of your work and for the opportunity to provide this input.

Sincerely,

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Proposed changes to the governor’s Sustainable Communities Implementation Program
March 31, 2014

Note: additions/changes to the TBL are shown in blue italics and strikethroughs.

75200. For the purposes of this division, the following terms have the following meanings:

(d) “Natural and working lands” mean agricultural and timber lands, open space, urban forests and parks.

75210. The council shall develop and administer a Sustainable Communities Implementation Program to reduce GHGs through projects that implement land use, housing, transportation and natural and working land conservation plans and practices to support infill and compact development, and that support related and coordinated public policy objectives, including the following:

(a) Reducing air pollution.
(b) Improving conditions in disadvantaged communities without increasing the risk of physical or economic displacement of existing lower income residents.
(c) Supporting or improving public health and other co-benefits as defined in Section 39712 of the Health and Safety Code.
(d) Improving connectivity and accessibility to jobs, housing, schools, and services.
(e) Increasing options for mobility, including the implementation of the ATP established pursuant to...
(f) Increasing transit ridership.
(g) Preserving and developing housing affordable to lower income households.
(h) Conserving and enhancing natural and working lands.

75211. To be eligible, a project shall:
(a) Demonstrate that it will achieve a reduction in greenhouse gas emissions. In addition, a transportation project shall demonstrate that it will achieve a reduction in both the number of automobile trips and vehicle miles traveled.
(b) Support implementation of an adopted or draft [SCS] or, if not required by law, a regional plan that includes policies and programs to reduce [GHGs].
(c) Demonstrate consistency with the state planning priorities established pursuant to Section 65041.1 of the Government Code.

75212. Projects eligible for funding pursuant to the program include any of the following, with a priority for those serving or primarily benefiting the lowest income households:

(a) Intermodal, affordable housing projects that support infill and compact development
Development or rehabilitation of transit-oriented housing affordable to lower income households, as defined in Health and Safety Code Section 50079.5
(b) Transit capital projects and programs supporting transit ridership
(c) Transit operating costs associated with cost-effective service improvements that will increase ridership, including the costs for no more than the first five years of enhanced service frequency
and hours of operation on existing or new routes. Projects must demonstrate reasonable ability to maintain operations without Cap and Trade funds thereafter.

(d) Projects, pilot projects, or programs designed to reduce GHG emissions and other criteria air pollutants by reducing automobile trips and vehicle miles traveled within a community, including investments in:

1. Planning, design and development of new transit systems and service; and/or enhanced service on existing transit systems;
2. First-mile-last-mile infrastructure to enhance access to transit service through enhanced local shuttle service, bicycle and pedestrian infrastructure;
3. Fully or partially discounted transit passes for:
   A. Full or part-time community college, college and university students, staff and faculty;
   B. Elementary, middle or high school students, staff and faculty as part of a Safe Routes to School Program or other program designed to reduce driving and increase active transportation to school;
   C. Residents of new or existing deed-restricted housing affordable to lower income households in transit priority zones; and
   D. Low-income youth included in an application by a public or non-profit agency providing support services for low-income youth.

(e) Active transportation capital projects that qualify under the Active Transportation Program, including pedestrian and bicycle facilities and supportive infrastructure, including connectivity to transit stations and schools.

(f) Non-infrastructure-related active transportation projects that qualify under the Active Transportation Program, including activities that encourage active transportation goals conducted in conjunction with infrastructure improvements projects

(g) Transit-oriented development projects, including affordable housing and infrastructure at or near transit stations or connecting such development to transit stations

(h) (1) (A) Planning to support implementation of regional sustainable communities strategies, including implementation of local plans supporting greenhouse gas reductions efforts and promoting infill and compact development. Any agency receiving an award under this subdivision shall consult with the local education agencies on the impact of the sustainable communities strategy on existing and potential new school sites, school enrollments and capacities, and transportation networks to and from school sites that encourage walking, bicycling, and transit use by students.
   (B) Planning and strategies to optimize greenhouse gas reductions by integrating working and natural lands with transportation, housing and infrastructure development.

(2) Awards under this category shall not exceed 10% of available revenue.

75213. A project eligible for funding pursuant to the program shall be encouraged to promote the objectives in Section 75210, promote economic growth, reduce public fiscal costs, support civic partnerships and stakeholder engagement, and integrate and leverage existing housing, transportation, and land use programs and resources.
75213.5. Eligible applicants shall include cities, counties, a city and county, special districts, county transportation agencies, metropolitan planning organizations, and nonprofit organizations.

75214. In implementing the program, the council shall:
(a) Support the goals established pursuant to Chapter 830 of the Statutes of 2012 by ensuring a programmatic goal of spending at least 50% of program expenditure for projects benefitting disadvantaged communities. To the extent feasible, the council shall coordinate outreach to promote access and program participation in disadvantaged communities;
(b) Ensure that project investments funded pursuant to this program utilizes consistent accounting and modeling approaches to estimate and monitor greenhouse gas emissions and reductions over time;
(c) Achieve geographic equity in its awards to the extent feasible; and
(d) Prioritize project investments that reduce the risk of physical or economic displacement of lower income residents, and ensure that all project investments that could increase the risk of physical or economic displacement of lower income residents demonstrate that appropriate project- and jurisdiction-level mitigation measures are in place to eliminate, if feasible, or minimize that risk.

75215. (a) Prior to awarding funds under the program, the council, in coordination with the California Environmental Protection Agency, the Transportation Agency, the Department of Transportation, the California Transportation Commission, the Business, Consumer Services, and Housing Agency, the Department of Housing and Community Development, the Natural Resources Agency, the Department of Conservation, the Office of Planning and Research, the Health and Human Services Agency, the Department of Public Health, and other state entities, as needed, shall develop guidelines and selection criteria for the implementation of the program.
(b) Prior to the adoption of the guidelines and the selection criteria, the council shall conduct at least three public workshops to receive and consider public comments. One workshop shall be held at a location in northern California, one workshop shall be held at a location in central California, and one workshop shall be held at a location in southern California.

75216. (a) The council shall leverage the programmatic and administrative expertise of relevant state department and agencies in implementing the program.
(b) The council shall coordinate with the metropolitan planning organizations and other county or regional agencies to identify and recommend, from among the applications submitted to the council, projects within their respective jurisdictions that best reflect the goals and objectives of this division.