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California Building Industry Association
California Business Properties Association
California Major Builders Council
Building Industry Association of Central California
Building Industry Association of Fresno / Madera
Building Industry Association of the Delta
Home Building Association of Kern County
Home Building Association of Tulare / Kings

The Honorable Mary Nichols, Chair
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

On behalf of the above groups and organizations, thank you for this opportunity to comment on the recently-released *Draft Regional Greenhouse Gas* (GhG) *Emission Reduction Targets, June 30, 2010* (the "Draft"). Collectively, we represent businesses large and small that are vital to California's economy and that provide thousands of jobs and housing to California citizens.

We support the objective of achieving the state's GhG-reduction goals in part by better integrating land use, transportation and housing decisions. We also note however, that ambitious environmental goals must be balanced with the need to provide, long-term, for California's employment, industry and housing needs in ways that work with market forces and consumer preferences.

Targets in an Era of Economic Uncertainty
California's economy is facing unprecedented challenges. Clearly, great uncertainty surrounds our state's immediate future. Our current unemployment rate stands at 12.4% -- third highest of all states and up over 1.1% from a year ago. Studies show that California has been losing manufacturing jobs faster than comparable states. When one factors in chronic state and local government budget deficits, an annual highway transportation funding shortfall of $4 billion that is on top of a nearly $7 billion public transportation funding shortfall, a dimming retail picture, slumping consumer confidence, an overall downshift in growth and a new residential construction market that is performing at historic lows, the likelihood of an economic snapback anytime soon is extremely unlikely.

Nationally, there are fears of an economic "double dip." While we sincerely hope this is not the case, the fact is that nationally and more particularly in California we are on fragile economic footing and, as a result, cannot bear policy decisions that, while well-meaning, may keep us away from a robust economic recovery if they are overly ambitious, unbalanced and unachievable.

Target Flexibility Essential

The Draft proposes that a 2020 target range of a five to ten percent per capita reduction in greenhouse gas emissions from 2005 levels be established for the four largest metropolitan planning organizations (MPOs). For the San Joaquin Valley, the "placeholder" 2020 target is a 1-7% per capita reduction. These ranges are based on potential reductions from modeled land use/transportation "scenarios" provided by the MPOs.

While we respect the work of all who have been involved as they attempt to construct narratives from simulation models, there needs to be maintained by all a healthy level of prudentiality, humility, and recognition that these social and ecological exercises are at best gross simplifications of reality. Complex systems involving the dynamic ingredients of land use, transportation and housing are self-modifying systems that are incapable of being modeled with any reasonable degree of certainty over extended periods of time. Moreover, local officials often-times underestimate their population growth and housing needs when projecting years into the future.

By implementing SB 375 in a balanced, measured and flexible manner, we anticipate that over time we will see greater efficiencies in the way land is developed and in the connectivity to our growing transportation systems. What are less likely to change though are the fundamentals of land use. Factors such as job-growth and employment locations, the availability and affordability of housing and the trade-offs that consumers make between the cost of travel and the cost of housing will continue to be the primary drivers of land use and land patterns. At best, SB 375 adds in an efficiency factor that is likely to show relative benefit over time and at a measured pace.

Targets Greatly Exceed Scoping Plan Regional Land Use / Transportation Role

In evaluating the draft targets, it is important for all involved to more clearly understand how the range (5-10% per capita GhG reduction for the major MPOs for example) translates into overall GhG metric ton reductions. One way to do this is to compare the regional target scenarios to the AB 32 Scoping Plan.

The Scoping Plan projected that 169 MMTCO2E emission reductions need to occur to achieve the state's projected 2020 (BAU) limit. Of that, regional land use and transportation was identified as being responsible for a 5MMT reduction or

approximately 3% of the total. As we understand it, this was based on an assumed 4% per capita vehicle miles travelled (VMT) reduction in 2020 from a 2020 BAU projection that itself projected a larger (*i.e.*, larger than 4%) increase in per capita VMT.

Indeed, the Scoping Plan's 4% emissions reduction in 2020 inherently accepted moderate increases in per capita VMT and, by implication, increases in per capita GHG emissions from land use and transportation leading up to 2020 as well – exclusive of the beneficial effects of vehicle emissions and fuel composition standards.

By comparison, the SB 375, 2020 emission reduction targets set forth in the Draft are focused on per capita GhG emission *reductions* between 2005 and 2020 – apparently based on per capita VMT reduction alone.

With that as a backdrop, the preliminary indications are that achieving a 5% per capita reduction by 2020 spread across approximately 85% of the state population (four major MPO regions) by our calculations equates to a cumulative total savings in 2020 of approximately 20 MMTCO2E (when compared to the 2020 BAU projection) – not the 5 MMTCO2E savings indicated originally in the Scoping Plan.

We acknowledge that the Scoping Plan calculation to achieve the 5MMT figure is not the same as the SB 375 process for setting the regional targets. However, SB 375 requires the Air Resources Board (the "ARB") to "take into account [GhG] emission reductions that will be achieved by improved vehicle emission standards, changes in fuel composition, and other measures ... that will reduce [GhG] emissions in the affected regions...." [1] In light of this, it seems clear that the California Legislature intended that the ARB should impose SB 375 emission reduction targets only after reasonably measuring them against the AB 32 Scoping Plan.

Increasing from 5MMTCO2E to roughly 20 MMTCO2E or more (assuming the low (5%) end of the proposed target range) is to command a whopping 15 MMTCO2E, 300% *increase* over what was originally anticipated for the land use and transportation sectors forecasted in the Scoping Plan.

To us, this seems to reflect a very ambitious and possibly even dangerous expectation of what can be achieved from changes to transportation systems and land use. We are deeply concerned that setting targets at such levels could further harm the ability of the California economy to recover and our housing industry in particular to return to healthy production levels. Moreover, after years

[1] SB 375, Section 4, Government Code section 65080(b)(2)(A)(iii).

of housing development at levels far below population increases, we fear that the imposition of such emission reduction targets could severely impede the state's future efforts to meet the housing needs of its population.

One way to potentially allay our fears is for the ARB to provide meaningful disclosure and transparency about what the proposed regional targets really mean to Californians, California businesses and local governments.

Achieving the 2020 regional targets even at the low end of the range(s) will require extensive new planning for and construction of additional transportation facilities and future housing and commercial / retail needs. This in turn, will require substantial new fiscal resources that in today's economic climate are highly questionable. In a number of areas, current regional transportation plans (RTPs) lack full funding and even anticipated levels of federal and state funding may very well be reduced. As to development, the virtual meltdown of new construction coupled with an overall statewide decline in the value of county-assessed property means that local governments will be hard-pressed to find the resources to accomplish the planning to meet the proposed targets. Absent new development, existing development will have to be called upon to make a significant contribution.

In light of this, we urge the ARB to conduct a full and comprehensive cost analysis of the proposed targets and clearly identify the funding needs (and shortfalls) necessary to their achievement.

Achieving the Target In The Bay Area

Achieving a 5% per capita GhG reduction by 2020 in the Bay Area will depend in large part on how successful the region can be in moving toward more dense/mixed use and transit oriented development and implementing creative ways to price the transportation system. These are laudable strategies that we encourage. However, we note that recently new CEQA guidelines adopted by the Bay Area Air Quality Management District (BAAQMD) for both greenhouse gas and particulate matter will likely make the very type of sustainable growth policies the region is banking on to achieve a 5% reduction target, unachievable. Very strong concerns have been raised by housing advocates in the Bay Area that the new toxic air contaminants (TAC) guidelines will negatively impact the future of infill and transit-oriented development in the Bay Area.

If the Bay Area -- or any other area of the state for that matter – expects to achieve the goals of SB 375, it will have to overcome well-meaning but counter-productive policies such as these.

Unique Central Valley Issues: Target Adjustments Required
The ARB has set a preliminary 2020 target for the 8 Central Valley MPOs at a 1-7% per capita reduction range. As pointed out in comments made to the ARB by some of the smaller and mid-size MPOs, many of the land use strategies generally identified as influencing travel behavior and GhG emissions from passenger cars and light duty trucks are urban-based strategies that do not translate well to areas like the Central Valley.
Given that many of the major employment and job-generating institutions in the Central Valley are oil and gas sites, universities, military institutions, prisons and large distributional centers that, often times by necessity, are removed from urban centers, travel-influencing strategies such as transit availability, density and mixed-use development and neighborhood design are simply not effective in reducing energy usage and influencing travel behavior. This argues for lower targets that recognize these limitations in the Central Valley context.

In closing, we strongly urge the ARB to adopt final 2020 targets that are achievable in light of the prolonged economic downturn. The following actions are necessary to make this happen:

1. **Reconcile AB 32 Scoping Plan and Proposed Regional Targets.**
   As the agency responsible for implementing both AB 32 and SB 375, it is incumbent upon the ARB to clarify the relationship between these two efforts. The ARB should calculate the equivalent MMT of CO2E emission reduction expected from the proposed regional targets so that it can be directly compared to the Scoping Plan placeholder target. This information should be provided during the public comment period to enable interested parties to comment on this aspect of the proposed targets. Without this additional information, the proposed regional targets lack transparency and full public disclosure about what they really mean to businesses, government and residents.

2. **Set Targets that Allow Needed Jobs and Housing Growth.**
   The ARB should demonstrate that the proposed targets accommodate jobs and housing needed for the population growth assumed in the Department of Finance forecasts underpinning the statewide GHG reduction effort. This includes showing that implementation programs and resource requirements will enable the regions to simultaneously meet their state-mandated housing production goals and commensurate job growth.

3. **Base Targets on Clear Understanding of Implementation Resources.**
   The strategies upon which the proposed regional targets are based will establish another level of administrative review, creation of new analysis tools, and increase costs to local governments to implement the plans to achieve these targets. The staff report does not identify sufficient resources at the regional and local level to accomplish these targets. The regional target setting process should concentrate on reducing administrative complexity and costs and should closely scrutinize MPO assumptions about anticipated future funding.

4. **Adjust Targets to Reflect Cleaner Vehicles, Fuels in Future.**
   The regional targets should reflect the fact that future vehicles will emit less GHGs and the targets should be reduced accordingly. The targets should only address emission reductions that are possibly needed to achieve the target in the Scoping Plan after the benefits of Pavley and the low carbon fuel standards.

5. **Position 2035 Targets as Advisory Placeholders.**
   The technical ability to accurately simulate travel behavior, available implementation resources, demographic conditions, available vehicle technology, and state and national economic conditions for 2035 is limited. The proposed 2035 targets are guesstimates and should be treated as such. We recommend that CARB set 2035 targets as called for by SB 375, with the proviso that they are advisory placeholders to be refined between now and 2020 to better reflect changing conditions.

6. **Focus on Low End of Proposed Target Ranges for All Regions to Provide Very Ambitious GHG Reductions.**
   For the preceding reasons, institute no more than a 5% per capita reduction in GhG for the four major areas of the state and no more than a 1% reduction for the Central Valley. These targets will, by our calculations, achieve ambitious reductions on the order of 20+ MMTCO2E, far beyond what was originally called for in the AB 32 Scoping Plan for the transportation and land use sectors as the foundation for SB 375.