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September 20, 2010

Ms. Mary Nichols
Chair,
California Air Resources Board
PO Box 2815
Sacramento, CA 95812

Dear Chairwoman Nichols:

This letter is to transmit the Regional Council action of September 2, 2010 regarding the upcoming Air Resources Board (ARB) meeting to consider establishing greenhouse gas emission reduction targets for 2020 and 2035 in accordance with SB 375 (Steinberg).

The Regional Council at its September meeting approved the following motion:

"SCAG recommends to ARB the following targets for GHG reductions: in 2020, 6%, and in 2035, 8%. And, if ARB accepts the 11 recommendations or the 11 items that we have (see attached report), including adding in fully funding the redevelopment funds and adding the self-help projects/counties, then SCAG would sit down with ARB as a partner and renegotiate the higher numbers."

Thank you for your consideration of this recommendation. As you may be aware, the recommendation came after a long discussion and hearing public input from numerous stakeholders in our region.

SCAG Regional Council looks forward to working with the ARB to successfully implementing SB 375 requirements. Please feel free to contact Mr. Hasan Ikhrata, SCAG Executive Director or me at 213-236-1800 should you have any questions or comments.

Sincerely,

Larry McCallon
SCAG President
Councilmember, City of Highland

CC: James Goldstein
Lynn Terry
Terry Roberts
Regional Council

REPORT

DATE: September 2, 2010

TO: Regional Council (RC)
Community, Economic, and Human Development Committee (CEHD)
Energy and Environment Committee (EEC)
Transportation Committee (TC)

FROM: Hasan Ikhata, Executive Director, (213) 236-1844, ikhata@scag.ca.gov

SUBJECT: SB 375 Final Draft Regional Targets

EXECUTIVE DIRECTOR'S APPROVAL:

RECOMMENDED ACTION:

Support the California Air Resources Board's (ARB) staff recommended SB 375 final draft greenhouse gas (GHG) emission reduction targets of 8% for 2020 and 13% for 2035. This support for the final draft targets are conditioned upon a combination of the following actions or alternative equivalent measures:

- Restoration of previous levels of State funding for transportation, transit in particular.
- Continued leadership by the regional partners to increase availability of State funds for the region.
- Continued partnership by the state and regional partners to increase availability of state funding for the region.
- Continuing partnership and commitment from each County Transportation Commission (CTC) to support the SCS development process, including a focus on non-motorized transportation solutions.
- Continued leadership by the regional leaders to increase availability of federal funding through the next transportation authorization and through climate change legislation.
- ARB will commit to working with MPOs, local governments, state agencies and the Legislature to identify, pursue and secure adequate incentives and sustainable sources of funding for local and regional planning and other activities related to the implementation of SB 375.
- Targeted increase in funding commitments for Transportation Demand Management, non-motorized transportation (walk and bike), transit, transportation, redevelopment and other necessary funding from Federal, State and local agencies.
- Timely implementation of the "30-10" proposed acceleration for Measure R projects in Los Angeles County.
- Improvements in land use planning in cooperation with local governments, mostly at the neighborhood scale.
- Expanded funding for Compass Blueprint demonstration projects, a voluntary city/county grant program directed to sustainable planning objectives (as discussed at the SCAG General Assembly).
- Implementation of Green Cities voluntary recognition and awards program (as discussed at the General Assembly).

EXECUTIVE SUMMARY:

On August 9, 2010, the ARB released a staff report recommending final draft GHG targets for each region pursuant to SB 375. This report summarizes activity leading up to this stage, and recommends action for the Regional Council in response to ARB's staff recommendation. This report contains (A) a

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description of what is required for the region to succeed in meeting targets, (B) a rationale supporting the staff's recommendation, (C) an update and chronology of events leading up to the release of the final draft targets, and (D) identification of anticipated next steps.

STRATEGIC PLAN:

1. Improve Regional Decision Making by Providing Leadership and Consensus Building on Key Plans and Policies
 - a. Create and facilitate a collaborative and cooperative environment to produce forward thinking regional plans.
2. Obtain Regional Transportation Infrastructure Funding and Promote Legislative Solutions for Regional Planning Priorities

BACKGROUND:

Since SB 375 went into effect in January 2009, SCAG has worked to ensure this region's successful implementation of this important legislation. The long term importance of this legislation and the efforts and dialogue it has thus far generated, a statewide policy discussion has occurred as to how to best implement SB 375 that ensures California's future regarding the key issues of land use, transportation and emissions reduction.

One of the keys in achieving a successful outcome of SB 375 includes obtaining from the ARB appropriate per capita GHG reduction targets for 2020 and 2035. The appropriate targets for SCAG are those that can be achieved with a sound Sustainable Communities Strategy (SCS) in the Regional Transportation Plan (RTP), while still challenging the region to submit a SCS plan in 2012 that successfully achieved the targets established by the ARB.

ARB has sole discretion to adopt regional targets under SB 375, but has engaged in a collaborative process to enable stakeholder input and collaboration of the MPOs as well as other stakeholders as a part of their final decision-making process. After considerable additional analysis and discussion, both with stakeholders in over 100 outreach meetings within the SCAG region as well as with our major MPO partners throughout California, SCAG staff recommends support of the targets proposed by ARB staff in their August 9 staff report of 8% in 2020 and 13% in 2035, based on the ambitious principal.

In making this recommendation, it is acknowledged that these targets will not be easily achieved and cannot be met by adopting a "business as usual" approach. Successful implementation is predicated on several key assumptions outlined below where SCAG, in partnership with cities, counties, the business community, and county transportation commission's, must work together in the next year to develop and submit a SCS plan that achieves the goals set by ARB. This report outlines certain areas of change that appear to be achievable based on current data, the final and more specific analysis of how these goals can best be met will occur as part of the next phase of the implementation process as we prepare and then complete a SCS for the SCAG region.

These final draft targets for SCAG are on par with those currently proposed by the other three major MPOs in the State (Bay Area, Sacramento and San Diego) and, while certainly challenging for Southern California, they are possibly achievable based on updated assumptions and analysis of the options and resources

available to SCAG for the 2012 RTP/SCS. Staff recommends that working together with the Federal and State governments, this region needs to make the effort to do all that it reasonably can to meet these targets. Such an effort will allow this region to be successful both in developing a SCS as required by SB 375 and, more importantly, positioning our region to create opportunities for a substantially improved quality of life for our residents and businesses in the areas of public health, congestion relief, air quality and land use.

A. Path Forward

In March 2009, the Regional Council and policy committees set broad goals for the implementation of SB 375 in the SCAG region. These goals included a strong preference for achieving the GHG target with the SCS contained within the RTP, and not resorting to the optional, unconstrained Alternative Planning Strategy (APS). SCAG has been actively involved in the target setting process, including developing five scenarios for input to ARB. Those initial scenarios demonstrated achievability of targets of 7-8% for 2020 and 5-6% for 2035. Since that time, the three other large MPOs in the State developed scenarios that were more aggressive, achieving up to 19% per capita reductions in 2035. Consequently, SCAG staff performed additional sensitivity testing of 2035 scenarios that considered additional Transportation Demand Management (TDM) and non-motorized measures (equivalent to SANDAG's 2035 scenario), refined forecasting analysis of local socioeconomic input, revised modeling parameters, and off-model analyses. The tests indicate that a 13% or more per capita reduction target in 2035 is very ambitious, but possibly achievable, assuming successful implementation of projected regional projects (including 30-10 plan in Los Angeles County) and commitments from the State and Federal governments as outlined in the staff recommendation. The specific revised analysis to demonstrate achievability of these targets is described further below, under "Rationale and Outcomes."

SCAG has placed a high degree of importance on input and involvement from key partners and stakeholders throughout the target setting process and will continue to do so during the development of the SCS. As part of SCAG's review of ARB's final draft targets, staff has provided briefings to the Plans and Programs Technical Advisory Committee, County Transportation Commission's Executive Officers, Southern California Leadership Council (SCLC), Greater Land Use Economic Council (GLUE), AQMD, individual business meetings, individual and group environmental stakeholders meetings, and others. The staff recommendation reflects input from these groups.

Input from the key regional stakeholders has been summarized below:

- Environmental Groups: Staff conducted several meetings with representatives from the environmental community (including the National Resources Defense Council (NRDC), Environmental Defense Fund (EDF), Climateplan, Clean Air Coalition, and Move LA). During these meetings, staff responded to extensive questioning about the SCAG submitted target setting methodology, modeling assumptions, and whether the proposed seven scenarios considered in setting a target range for 2020 and 2035 GHG reduction were sufficiently ambitious. The general consensus received from these discussions was that SCAG could do more GHG reduction by 2035 than SCAG staff is recommending to the SCAG Board. Further, these environmental groups indicated they intended to transmit correspondence to the Regional Council and ARB. Members requested SCAG staff provide another option which clarifies what it would take (i.e., funding and other actions) to do more than 13% GHG goal proposed by ARB staff. Staff indicated they would continue to consider all relevant information as part of the upcoming development of the SCS Plan.

- Business Groups: Staff met several times with business leaders (including the SCLC, GLUE, Building Industry Association of Southern California (BIA), and the Irvine Company, including representatives from Orange County Business Council (OCBC), Orange County Transportation Authority (OCTA) and Orange County Council of Governments (OCCOG) to discuss the SCAG staff recommendation supporting the ARB staff recommendation with the conditions outlined above to achieve the proposed 2020 and 2035 GHG reduction targets. There was general consensus from the meetings, given the state of the California economy, that there is significant risk to the region to support a higher GHG goal than originally submitted to ARB without an ARB Board funding commitment to partner with SCAG. They indicated that it is imperative that ARB Board commit to a funding partnership with SCAG to achieve the 2035 GHG reduction goals by providing incentive funding for activities such as expanded compass program for cities/counties who want to voluntarily implement the ARB goals. In addition, the SCLC has transmitted a letter to ARB addressing other actions the Board could take to reduce GHG and at the same time improve the economy.
- Regional Transportation Agencies Executive Officers: Staff has regularly sought input from the Chief Executive Officers (CEOs) of the County Transportation Commissions as the ARB target setting process has preceded. Staff met with the CEOs on August 20 and provided an update on staff's recommendation to support the ARB staff GHG target recommendations pending Regional Council support on September 2. Full partnership with the Commissions is essential to the successful development of a SCS in 2012 and accepted by ARB. Meaningful GHG reduction in the transportation sector can only be accomplished with the support of the Commissions. The Commissions are mandated to fulfill the voter approved local sales tax transportation programs. In addition, program State and Federal transportation funds that will support clean fuel alternatives, provide increased modal alternatives to single occupancy vehicles, reduce congestion chokeholds, increase bikeway program investments, and increase transportation demand management options (such as HOV lane expansion, congestion pricing, signal synchronization, etc.). The overall consensus of the discussion at the CEOs meeting was to support SCAG staff recommendation with the understanding of the need to clarify in writing that ARB will be a full funding partner with the region to implement SB 375 GHG goals. At the point of this report being prepared no Board actions of the CTCs have yet taken place.

A key component of the anticipated path forward is SCAG's commitment to an expanded Compass Blueprint program and the development of a new Green Cities Initiative. The Compass Blueprint program has created a successful collaboration with local government for 84 demonstration projects throughout the SCAG region to implement strategies consistent with the goals of SB 375. These strategies include in-fill development, transit oriented development, mixed use, and neighborhood design to encourage walking and biking. SCAG's new Green Cities Initiative, announced at the General Assembly is anticipated to provide voluntary tools and tracking capacity for local government in preparing sustainability plans. Further, the program will allow local governments to compete for awards and recognition for the communities doing the most to reduce GHG emissions. As part of the staff recommendation included in this report, SCAG will be seeking a commitment from ARB to assist in pursuing and securing further funding for these programs.

B. Rationale and Outcomes

As mentioned, ARB has the sole discretion to determine regional targets. That said, it is important for SCAG to participate in the process of determining targets in order to ensure the appropriate planning is done

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to best position this region's ability to achieve these targets and to remain competitive with the rest of the State.

The proposed final GHG targets, particularly those for 2035, would be challenging for the SCAG region, in that it would be necessary to move substantially beyond status quo commitments in a number of areas. Nevertheless, staff believes it is important for SCAG, as the largest region in the State, to continue to establish a responsible leadership role in the implementation of SB 375. The targets as currently proposed are in approximate parity with each of the major regions in California, as shown below under "Chronology." This approximate parity with other regions is important, especially if any future State funding opportunities or criteria were to be based on these targets. Each of the other three large MPOs at this point has formally recommended a GHG target as reflected in the ARB staff report.

As noted, SCAG has prepared further scenario analysis that demonstrates that a 13% target, or more, can be attainable with significant funding from State, Federal and regional sources in 2035 assuming certain adjustments to both policy measures and technical assumptions. Specifically, SCAG tested a scenario with the following assumptions beyond those included in the 2008 RTP and the analysis that was performed earlier this year for the initial SCAG draft targets:

- a) In conjunction with the Compass Blueprint program already included in the analysis, recent local input on an improved jobs/housing balance was analyzed.
- b) A 1% reduction in home-based work trips, 174% increase in vanpools, 144% increase in carpools, and 20% increase in walk/bike to school (e.g., "safe routes to school"), which is similar to the TDM levels assumed by SANDAG in their 2035 scenario;
- c) A 2.5 % reduction in VMT associated with non-motorized transportation;
- d) Additional auto operating cost increase of \$0.02/mile to a total of \$0.24/mile (e.g., increases in fuel costs, repairs, maintenance, tires, and accessories); and
- e) Capturing on-going local land use and community design improvement through off-model analysis, beyond that which has already been accounted for within the Compass Blueprint program.

As outlined by the conditions that are a part of staff's recommendation, in order to demonstrate achievement of a 13% target through the SCS, SCAG, its partners and the State and Federal governments would need to show commitment to implement and fund the underlying measures, or measures that achieve equivalent results. While the analysis shows the potential for such a target to be met, it should not be interpreted to mean that the region could do so without significant challenge and additional resources.

While the current focus is on target setting, it needs to be recognized that this entire effort and the overall intent behind SB 375 is to encourage regions throughout California to engage in a concerted, but reasonable effort, to put the State on a path toward a more sustainable future. In this light, as compared to the performance of the existing 2008 RTP, achieving the 13% per capita GHG reduction target in 2035 would be expected to result in the following estimated outcomes:

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- 1.7 million hours reduction in daily vehicle delays, equivalent to \$7.7 billion annual cost savings (in 2009 dollars) due to congestion relief
- 3.4 million gallons daily reduction in light and medium vehicle fuel consumption
- 3.2 tons daily reduction in NOx and 2.9 tons daily reduction in PM10

Beyond these important outcomes for increasing the region's livability for 19 million residents, the region would accrue related benefits in public health due to reduced emissions exposure and illness, increased productivity, and economic activity due to reduced congestion and transportation cost.

At present, our current capacity to more specifically measure benefits and outcomes is limited both by time and by the availability of proper data and tools. As a function of the on-going MPO consultation efforts, regions are working to develop a set of performance measures that could be applied to the SCS statewide. Additionally, SCAG is continually working to improve our technical tools, including those made available to the local government members for their own planning processes.

C. Chronology

The chronology leading to ARB's determination of final regional targets includes:

- SCAG region outreach and dialogue among members and stakeholders – on-going, beginning November 2008 (more than 100 meetings to date)
- Completion of statewide Regional Targets Advisory Committee (RTAC) report, establishing parameters and process for target setting – September 2009
- Regional Workshop to review the RTAC report (Ontario) – November 18, 2009
- Consultation with other Metropolitan Planning Organizations (MPOs) on scenario development and other issues – September 2009 to present
- Development of five “sketch” scenarios to establish range of “ambitious/achievable” targets for the SCAG region – January 2010 to May 2010
- Regional Council authorization for SCAG staff to submit target information and recommendation to ARB – April 2, 2010
- General Assembly and Regional Conference (La Quinta) featuring review and discussion on target scenario – May 5-6, 2010
- Formal submittal of target scenarios in coordination with other large MPOs – May 18, 2010
- ARB release of preliminary draft GHG targets – June 30, 2010, as follows:
 - SCAG - 5-10% for 2020, 3-12% for 2035
 - SANDAG - 5-10% for 2020, 5-19% for 2035
 - MTC - 5-10% for 2020, 3-12% for 2035
 - SACOG - 5-10% for 2020, 13-17% for 2035
- Additional analysis testing scenarios assumptions and measures – May 18, 2010 to present
- ARB release of final draft GHG targets – August 9, 2010, as follows:
 - SCAG - 8% for 2020, 13% for 2035
 - SANDAG - 7% for 2020, 13% for 2035
 - MTC - 7% for 2020, 15% for 2035
 - SACOG - 7% for 2020, 16% for 2035
- Comments due to ARB on the final draft targets – September 22, 2010
- Scheduled ARB hearing to adopt targets – September 23, 2010

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Staff has reported extensively to the Regional Council and policy committees at critical stages of the targets setting process. Background information on target setting, including the RTAC report, SCAG and other regional scenarios, and ARB's staff report on proposed final targets are available on ARB's website - <http://www.arb.ca.gov/cc/sb375/sb375.htm>, and on SCAG's website, www.scag.ca.gov/sb375.

D. Next Steps

Pending direction from the Regional Council, SCAG will participate in the conclusion of the target setting process, including providing written comments and testimony at the September 23 ARB hearing. Subsequently, the focus will shift to the development of the 2012 RTP/SCS and the process to seek and define commitment to the steps and options as described above.

Of note for SCAG region local jurisdictions, staff is developing a round of workshops that will engage local governments, CTCs, and regional stakeholders (including the business community and environmental community) on the development of the SCS. Finally, SCAG staff continues to take steps to implement the expansion of Compass Blueprint and the Green Cities award and recognition program discussed at the General Assembly. Future staff reports to the Regional Council will request input and discussion on these new initiatives.

Staff has prepared a draft comment letter to ARB in response to their August 9 staff report. The comment letter includes the recommendations contained in this staff report and associated comments. The draft letter is attached to this report.

Staff has attached the correspondence received to date. Subsequently received correspondence related to this matter will be distributed at the meeting.

FISCAL IMPACT:

SCAG staff work to implement SB 375 is included in the 2010-2011 Overall Work Program 020.SCG0599.

ATTACHMENTS

- 1) Target scenario and analysis matrix
- 2) Draft comment letter to ARB
- 3) Correspondence received as of August 27th

Reviewed by:

Department Director

Reviewed by:

Chief Financial Officer