



METROPOLITAN  
TRANSPORTATION  
COMMISSION

Bay Area Metro Center  
375 Beale Street, Suite 800  
San Francisco, CA 94105  
415.778.6700  
www.mtc.ca.gov

July 28, 2017

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Mary Nichols, Chair  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

RE: Proposed Update to the SB375 Greenhouse Gas Emissions Targets

Dear Chair Nichols:

Thank you and the California Air Resources Board (ARB) staff for working with us on the second round of the Regional Transportation Plan/Sustainable Communities Strategies (RTP/SCS) with respect to achieving our SB 375 Greenhouse Gas Emissions Targets. This week, the Metropolitan Transportation Commission and Association of Bay Area Governments Executive Board approved Plan Bay Area 2040, which exceeded the SB 375 Greenhouse Gas Emission Targets set by ARB -- achieving a 10% per capita reduction from 2005 levels in 2020 (compared to the target of 7%) and a 16% per capita reduction from 2005 levels in 2035 (compared to the target of 15%).

Following the success of this RTP/SCS process, we look forward to continuing to work with ARB to create an ambitious and achievable RTP/SCS in 2021. With regards to the targets for the next round, we offer the following comments on the *Proposed Update to the SB 375 Greenhouse Gas Emission Reduction Targets*.

### Target Recommendation and Statewide Pricing

MTC's GHG target recommendation, formalized in MTC Resolution No. 4271, recommended an 18% per capita greenhouse gas reduction target for 2035 from 2005 levels. This recommendation followed considerable staff work and "stress test" analyses. The ARB staff report does not capture correctly some of the work, and we welcome continued partnership to ensure that the technical basis of the ARB's recommendation is informed by the rigorous analysis at the regional level. More importantly, our 18% reduction target recommendation was conditional upon several factors, including four state actions:

- granting pricing authority to MPOs to bring user auto operating costs back to levels commensurate with 2008 levels (the conditions under which SB 375 was enacted);
- dedicating funding to support transit, ridesharing, and non-motorized transportation from pricing mechanisms and new state sources and programs;

- providing additional funding to ensure implementation of regional plans/sustainable communities strategies, on a scale commensurate with the defunct redevelopment law; and
- strengthening mandates and incentives to align housing production and employment center proximity as a key strategy for reducing greenhouse gas emissions caused by added vehicle miles traveled when there is a significant mismatch in housing and jobs locations.

Finally, the resolution anticipated a roundtable of representatives from ARB, the MPOs and other entities to identify and define new initiatives, incentives and regulations for achieving the RTP/SCS targets. More discussion on this follows on the next page.

MTC is concerned that the Bay Area target recommended by ARB staff at 19% may not be achievable and could force the region into an alternative planning strategy (APS), which we believe would not be in the best interest of the region or the state. While one percentage point may not seem like much of a difference, it could be the deciding factor in whether MTC prepares an SCS or APS in 2021. Moreover, the single percentage point may be understated in light of ARB staff's recommendation that "excludes reductions anticipated from implementation of state technology and fuel strategies, and any potential statewide user pricing."

### **SB1 Funding Limitations**

In April 2017, the California Legislature passed Senate Bill 1 (SB 1) -- the Road Repair and Accountability Act of 2017 -- and it was signed into law by Governor Jerry Brown. While this act is the largest transportation investment in recent California history, expected to raise roughly \$52 billion for transportation investments over the next decade, these funds will largely be allocated towards fixing local streets, state highways and transportation infrastructure -- hence the title of the new law. A relatively small portion of SB 1 is expected to be a new revenue source for funding SB375-related or VMT reduction projects. MTC staff estimates that just under 20% of the funding, or \$9.8 billion, will be available to support SB 375 goals over the next 10 years (see Table 1). It is worth noting that in the San Francisco Bay Area, the first annual increment of the largest program in Table 1 -- the \$3.6 billion Public Transit formula program -- is largely being used to cover funding shortfalls in existing transit operations. It is not providing expanded service to attract new riders.

The target recommendation appears to focus on this funding as sufficient to fund strategies to achieve GHG target goals. This is simply not the case. Considerable additional funding is needed to support transit, ridesharing, non-motorized transportation, redevelopment, and SCS implementation, including funding to incentivize infill and compact residential development and policies to encourage a better jobs/housing match.

**Table 1. SB 1 Funding to Support SB 375**

<b>Funding Source</b>	<b>Category</b>	<b>Funding Amount (over the next 10 years, in millions \$)</b>
<b>SB 1</b>	Public Transit Formula	\$3,550
	Transit and Intercity Rail	\$2,529
	Intercity and Commuter Rail	\$380
	Local Planning Grants	\$250
	Resiliency Planning Grant (One-Time)	\$20
	Solutions for Congested Corridors	\$2,500
	Active Transportation Program	\$1,000
<b>Total</b>		<b>\$9,849</b>

### **Revisiting a Best Management Practices Approach**

Following the enactment of SB 375, the Regional Targets Advisory Committee (RTAC) issued a report recommending methods to evaluate the potential for reducing greenhouse gas emissions. In its final report, the RTAC recommended the development of a list of Best Management Practices (BMP), consisting of “available land use and transportation policies and practices that will result in regional greenhouse gas reductions.” Although the RTAC ultimately recommended that “all MPOs employ travel modeling, and the results of the modeling with respect to greenhouse gas emissions will be made publicly available”, the BMP list was recommended as another tool to be used in target setting and in greenhouse gas reduction strategy development.

Since that time, the target setting process as well as the evaluation of SCS compliance with SB 375 has become increasingly enmeshed in the intricacies of travel model-based methodology. In hindsight, this has given rise to a number of challenges and much time has been spent trying to resolve issues such as modeling methods and differences between regional travel models, emission factors (EMFAC) model versioning and the effects on model results. We are currently discussing with ARB staff the magnitude of the “rebound effect” as estimated by a variety of models. This focus on modeling and estimation methodology rather than policies and actions that ultimately reduce greenhouse gas emissions may not be the best use of limited staff time and resources. For example, the difference between MTC’s recommended GHG target of 18% and ARB staff’s proposed target of 19% is probably within the margin of error of our regional travel demand model. I suspect that debating such a difference will not be very satisfying to either of us. As such, we would like to revisit the discussion of moving towards a Best Management Practices approach and bringing the discussion back into the realm of policy implementation rather than technical modeling details.

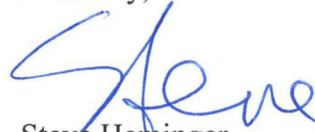
### **VMT Reduction Roundtable Recommendation**

Finally, the ARB proposal for a VMT Reduction Roundtable is for a half day event. We think that this is insufficient to cover the breadth and depth of issues needed to discuss to achieve the proposed GHG targets. We recommend a full day roundtable well in advance of the final target recommendation approval with the following parts:

1. Discussion of the final target recommendations.
2. Revisiting the Best Management Practices approach as an alternative to a modeling-based approach for target setting and for SB 375 compliance evaluation.
3. Pricing & Funding: Identifying next steps for pricing/user charge or other long-term transportation funding solutions, including discussion of how this funding mechanism can support reinvestment in VMT reduction projects.
4. Future Mobility: Discussion of policies and regulations related to future mobility technology, such as increasing TNC usage and the adoption of autonomous and connective vehicles. These technologies have the potential to increase VMT (by replacing transit, walk and bike trips) or decrease VMT (by supplementing transit) and we need proactive policy mechanisms to ensure that it's the latter. How these services are regulated by the state will strongly influence the VMT outcome.
5. Expanding and enforcing existing policy, such as enforcement of existing policies like California's Parking Cash Out law or discussion with the state's air districts around advancing the development of an Indirect Source Review (ISR) rule or similar mechanism to mitigate emissions from larger employment centers located in housing-poor areas remote from public transit service.
6. How to address equity throughout policy development.

We look forward to continuing the conversation about successfully achieving SB 375 greenhouse gas emission reduction goals. Thank you for your continued leadership – both in California and around the world – in climate protection policy.

Sincerely,



Steve Heminger  
Executive Director