



**METROPOLITAN
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COMMISSION**

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Memorandum

TO: Legislation Committee

DATE: September 5, 2014

FR: Deputy Executive Director, Policy

W. I. 1131

RE: Update on Guideline Development for Cap and Trade Funding

This memo provides a brief overview of the state's rollout of the new Cap & Trade-funded transportation and affordable housing programs established by SB 862, a FY 2014-15 budget trailer bill. As we noted in our budget summary in July, there are three new programs that provide funding opportunities for local and regional transportation improvements and affordable housing:

Program	FY 2014-15 Statewide Amount	Share of Funds in FY 2015-16 +
The Affordable Housing & Sustainable Communities Program (AHSC)	\$130 million	20%
Transit and Intercity Rail Capital Program	\$25 million	10%
Low Carbon Transit Operations	\$25 million	5%

In August, the Strategic Growth Council held three workshops to help inform its draft guidelines for the AHSC program, while Caltrans and the California State Transportation Agency held joint workshops for the transit programs, as shown Attachment 1. For all three of these programs, the purpose of the workshops was to receive input *prior* to the release of the draft program guidelines.

The tentative schedule for the AHSC program development is as follows:

- Draft guidelines: Mid-September 2014
- Public workshops on the draft guidelines: Three more in October 2014
- Proposed final guidelines released: November 2014
- Guideline adoption: December 2014
- Funding solicitation released: January 2015
- Applications due: April 2014
- Awards announced: June 2014

With respect to the transit programs, CalSTA and Caltrans officials indicated in mid-August that the current schedule is as follows:

- Draft guidelines: Within the next several months
- Final guidelines: Early 2015
- Funds awarded: Before July 1, 2015

Definition of Disadvantaged Communities

As you know, another key issue affecting the implementation of these new programs is how the California Environmental Protection Agency (CalEPA) defines disadvantaged communities (DACs), for the purpose of achieving the legislatively mandated targets to invest a minimum of 10% of Cap & Trade Funds within a DAC and at least 25% of Cap and Trade funds benefiting a DAC. On August 19, CalEPA released a document that contains five different methods for defining DACs, all of which rely on a screening tool known as the CalEnviroScreen2.0 (CES2). In staff's view, none of the proposed methods satisfactorily meets the intent of SB 535 (DeLeon, 2012), which was to identify those communities in California that are most disadvantaged in terms of socioeconomic; factors and/or environmental exposures. Specifically, Health & Safety Code 39711 provides:

(a) The California Environmental Protection Agency shall identify disadvantaged communities for investment opportunities related to this chapter. These communities shall be identified based on geographic, socioeconomic, public health, and environmental hazard criteria, and may include, but are not limited to, **either** of the following:

- (1) Areas disproportionately affected by environmental pollution and other hazards that can lead to negative public health effects, exposure, or environmental degradation.
- (2) Areas with concentrations of people that are of low income, high unemployment, low levels of homeownership, high rent burden, sensitive populations, or low levels of educational attainment.

MTC staff has been working closely with the Bay Area Air Quality Management District on a revised measure that still incorporates 18 of 19 variables in CES2, but combines them in a different manner known as a “product of ranks,” that allows a census tract that scores particularly high on a few variables (such as proportion of low-income households, exposure to diesel particulate matter, high unemployment rate) to still be considered a DAC even if its scores on other variables were relatively low. The revised approach would also add “rent burden” as a new factor (expressly referenced as a potential factor to incorporate in SB 535) as a way to address cost of living differences throughout the state. Attachment 2, prepared by BAAQMD, provides a detailed overview of our shared concerns related to CES2 and their proposed Method 6.

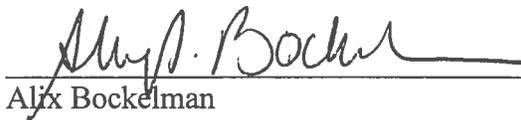
Air Resources Board Guidance on GHG Reduction & How to Assign Project Benefits

SB 862 assigned the California Air Resources Board responsibility for developing funding guidelines for how administering agencies should achieve the DAC targets. On August 22, ARB released “interim guidance” proposing criteria for determining if a project “is located in” or “provides benefit to” a DAC. Attachment 3 includes two pages that focus on how transportation and housing projects would be evaluated. Staff is reaching out to transit operators and our Policy Advisory Council for input on the proposed methodology.

ARB was also charged with developing guidance for state agencies to determine whether or not a proposed expenditure will contribute to “achieving and maintaining greenhouse gas emission reductions.” ARB plans to host additional workshops prior to releasing and finalizing that guidance, which will include metrics to be tracked and reported for investments that benefit DACs and other GHG investments. ARB plans to present those guidelines for board approval in mid-2015.

Next Steps

Staff will continue to monitor and participate in the development of the state’s new Cap & Trade funding programs with the goal of creating programs that support the region’s priorities, position our projects to compete on an equal footing with the rest of the state, and leverage our expertise and that of our local partners. Further, staff plans to return to the Programming and Allocations Committee in October to report on alignment between the state’s Cap and Trade programs and guidelines and MTC’s adopted Cap and Trade Framework, MTC Resolution No. 4130.


Alix Bockelman

Cap & Trade Funding Programs: Guideline Development Schedule

Program/Policy	Responsible Agency	Workshops Held to Date	Deadline for Public Comment
Identification of Disadvantaged Communities	California Environmental Protection Agency (CalEPA)	Fresno – August 25 Los Angeles – August 25 Oakland – September 3	September 15
Funding Guidelines for Meeting Disadvantaged Communities Targets	California Air Resources Board (ARB), in consultation with CalEPA	<i>Held in conjunction with above workshops</i>	September 15 (for interim guidelines; subsequent guidelines to be released in 2015)
Transit Capital and Intercity Rail Program	California State Transportation Agency	San Jose – August 21 Sacramento – August 22 Los Angeles – August 27	None — draft program guidelines not yet released
Low Carbon Transit Operations Program	Caltrans, in coordination with ARB	<i>Held in conjunction with above workshops</i>	None — draft program guidelines not yet released
Affordable Housing and Sustainable Communities Program	Strategic Growth Council, in coordination with member agencies “and other state entities, as needed”	Fresno – August 12, 2014 Oakland – August 14, 2014 Los Angeles – August 15, 2014	None — draft program guidelines not yet released