

Metropolitan Transportation Commission Programming and Allocations Committee

March 11, 2015

Item Number 4b

Cap and Trade: Transit and Intercity Rail Capital Program

Subject: Regional Priorities for the FY2014-15 and FY2015-16 Transit and Intercity Rail Capital Program

Background: The Transit and Intercity Rail Capital Program is a statewide competitive program to fund capital and operational improvements to modernize California's transit systems and reduce emissions of greenhouse gases. The California State Transportation Agency (CalSTA) is responsible for the overall administration of the program, including project evaluation and the development of a program of projects.

CalSTA released a Call for Projects on February 9. The program provides \$24.8 million in FY2014-15 funds and \$100 million in FY2015-16 funds, for a total solicitation of \$124.8 million. The FY2015-16 amount is an estimate based on the Governor's proposed 2015-16 budget, and may be refined based on the results of Cap and Trade auctions. SB 862 apportions 10 percent of the Greenhouse Gas Reduction Fund's proceeds on an annual basis to the Transit and Intercity Rail Capital program beginning in FY2015-16.

Application Process

Project applications are due to Caltrans on April 10 and CalSTA will publish a list of approved projects on June 30. In this first programming cycle, eligible applicants, excluding applicants operating multiple transit modes, are limited to submitting one project of \$3 million or greater and one project less than \$3 million. Eligible applicants operating multiple modes can submit up to one project application per mode. Furthermore, no single project can exceed one-third of the program funds available.

CalSTA will evaluate projects based on multiple evaluation criteria, with a primary focus on greenhouse gas emissions reduction, increased ridership, service integration, and safety improvements. CalSTA also emphasizes project readiness and funding leverage as factors to be considered during project selection. At least 25 percent of available funding will be provided to projects providing a direct, meaningful, and assured benefit to disadvantaged communities.

Regional Role

While MPOs such as MTC have no formal role with this program, MTC seeks to provide guidance to focus the Bay Area's list of projects in line with adopted regional policy and funding commitments. Recommended priorities for the initial funding cycle and future funding cycles are described below.

Initial Funding Cycle- Core Capacity Challenge Grant Program

In this initial funding cycle, staff recommends a continued focus on MTC's Cap and Trade Framework (Resolution No. 4130), which includes \$875 million in future Cap and Trade funds for expansion and modernizing elements of the Core Capacity Challenge Grant Program (MTC Resolution Number 4123). The Core Capacity Challenge Grant Program is a \$7.5 billion regional commitment to fund key transit infrastructure replacement and enhancements needed for future transit expansion. Additional information on the following projects that are part of the Cap and Trade funds is provided in Attachment A:

- SFMTA: fleet expansion and enhancement; modernizing facilities and equipment
- BART and VTA: railcar expansion (including for BART to San Jose); new train control system
- AC Transit: fleet expansion; facilities replacement and rehabilitation

Core Capacity Challenge Grant Program projects are well positioned to compete favorably under the Transit and Intercity Rail Capital Program, given the shared emphases on reducing greenhouse gas emissions, increasing ridership through improved transit service, project readiness, and the leveraging and coordination of other funding sources. For Core Capacity projects, the greenhouse gas reduction benefits result from the system capacity, service frequency, and connectivity improvements from modernized and expanded fleets and state-of-the-art technology. Additionally, Core Capacity projects also leverage and coordinate significant sources of other funds. Across the total funding package, one dollar of Cap and Trade funds leverages an additional eight dollars in other regional and local funds.

Staff believes that several of these projects are ready to apply now and will compete for a significant portion of the overall statewide funding. Staff proposes to return to the Commission in May to ask for approval to endorse a set of recommended projects consistent with the Cap and Trade Framework.

Future Funding Cycles and Cap and Trade Auctions

In a presentation to the Committee on October 8, 2014 staff emphasized that increased future funding levels may provide an opportunity to expand regional advocacy for other high priority transit projects. See the attached correspondence between Senator Beall and MTC regarding one such project, the BART extension to San Jose.

Upcoming Cap and Trade auctions should help clarify the magnitude of transportation revenues to guide this discussion. The Air Resources Board (ARB) and Quebec's Ministry of Sustainable Development conducted the most recent quarterly auction (Joint Auction #2) on February 18, generating roughly \$1 billion in sales. At this auction, all available allowances were sold at prices near the minimum price. ARB will publish more precise figures for California's share of the revenue on March 17.

The Governor's FY2015-16 budget assumes the receipt of \$650 million in Cap and Trade revenues in FY2014-15 and \$1 billion in FY2015-16. Many different factors could influence the magnitude of these revenues, including the state of the economy, the cost of emission reduction alternatives, the regulatory environment, and industry expectations about future prices. In a February 26 policy brief, the California Legislative Analyst's Office (LAO) estimates that revenues for FY2014-15 and FY2015-16 "will likely be significantly higher than the budget assumes." The LAO estimates a low of \$1.3 billion and a high of \$2.8 billion for FY2014-15, and a low of \$2 billion and a high of \$4.9 billion for FY2015-16.

MTC will continue to monitor the results of these auctions and their impact on the overall magnitude of Cap and Trade programs. Later this year, staff intends to return to the Commission with a larger update on the state Cap and Trade programs and any recommended revisions to MTC's Cap and Trade Framework (Resolution 4130).

Issues: None

Recommendation: Direct staff to prioritize Core Capacity Challenge Grant Cap and Trade projects for projects requesting \$3 million or greater for the initial cycle of the Transit and Intercity Rail Capital Program

Attachments: Attachment A: Fact Sheets on Select Core Capacity Challenge Grant Program Projects
Attachment B: Correspondence between MTC and Senator Jim Beall regarding the Transit and Intercity Rail Capital Program

Transit Core Capacity & Cap-and-Trade: Where Challenge Meets Opportunity



The Bay Area's network of trains, buses, light-rail, ferries and other vehicles faces a two-part challenge. Transit agencies must expand capacity and improve connectivity to accommodate the region's growing population and rising ridership. But expansion requires a durable foundation on which to grow, and keeping our existing transit assets in a state of good repair is a continuing challenge, with unmet capital needs totaling nearly \$20 billion through 2040.

To help bridge this gap, MTC in 2013 launched a \$7.5 billion Core Capacity Challenge Grant Program for the region's most critical transit needs. With funding from more than 10 different federal, state and local sources — including California's new cap-and-trade programs for greenhouse gas emissions — the Core Capacity Challenge Grant Program prioritizes investment for transit operators that together carry more than 80 percent of the region's transit passengers.

Anticipated funds from Cap and Trade make up just over 10% of the total Core Capacity Challenge Grant funding package — in other words, **one dollar of Cap and Trade funds leverages an additional eight dollars in other regional + local funds.**



MTC will use the Core Capacity Challenge Grant Program to: **modernize** the core of the regional transit network; **increase** capacity, **improve** reliability; and **lay the groundwork for future expansion.**

Key near-term investments for the Core Capacity Challenge Grant program include:

SFMTA

- **Fleet expansion and enhancement** — 64 light-rail cars, including those necessary for Central Subway expansion, plus new articulated buses and trolleys.
- **Modernizing** mission-critical facilities and equipment to maintain safety and reliability.

BART and VTA

- **Railcar Expansion** — 204 additional cars, including cars necessary for BART expansion to San Jose.
- **New Train Control system** — state-of-the-art technology to monitor and control train movements to increase capacity, improve reliability and enhance safety.

AC Transit

- **Fleet expansion** — 79 hybrid diesel/electric buses needed to implement service expansion and improve air quality.
- **Facilities Replacement and Rehabilitation** — critical upgrades to aging facilities and equipment, plus re-opening Richmond Operating Facility.



Metropolitan Transportation Commission Cap and Trade Funding TRANSIT CORE CAPACITY CHALLENGE GRANT PROGRAM



SFMTA

Fleet Expansion and Core Facility Improvements

Estimated Total Project Cost: **\$857 million**

MTC Adopted Framework Cap-and-Trade Funds: **\$467 million**

Funding Leverage: **55% Cap-and-Trade, 45% other funds**

Sponsor/Lead Implementing Agency: **SFMTA**

Project Description:

Fleet Expansion

Cost: **\$648 million**

Cap-and-Trade Investment: **\$400 million**

- 64 new light-rail cars to increase system capacity and meet forecasted demand by 2020
- New articulated buses and trolleys to increase capacity on high-ridership routes.

Core Facility Improvements

Cost: **\$209 million**

Cap-and-Trade Investment: **\$67 million**

- Modernize mission-critical equipment to maintain safety and reliability; and accommodate larger vehicle fleets.
- Modernize and expand Muni Metro East maintenance facility, Burke Central Parts Warehouse and Woods Maintenance Facility.

Benefits:

- Increases speed and improves comfort of the system.
- Accommodates ridership demand and ensures future reliability.
- Increases service frequencies on busiest Muni lines.
- State-of-the-art vehicles provide a zero-emissions mode of travel and will be equipped with innovative safety features, improved passenger amenities and modern information systems.
- Improved connectivity between rail and bus systems, and improved transit reliability benefitting disadvantaged communities.

Key Project Benefits, At a Glance

Annual VMT Reduction	11 million
Annual GHG Reduction	14,000 metric tons (equivalent to taking 2,900 passenger vehicles off the road annually.) ¹
Benefits to Disadvantaged Communities	497 SFMTA stops are within ½ mile of a Disadvantaged Community. All residents within San Francisco's DACs (over 11,000) reside within ½ mile of a SFMTA station (represents 3% of all Bay Area DAC residents). ²
Supportive Land Use	2,107 SFMTA stops are within 15 Priority Development Areas, with a population of 416,446.

Fleet Expansion Timeline

2014	2015-16	2019
Vehicle contracts awarded	First articulated buses, trolleys and light-rail cars arrive	Final light-rail cars arrive and go into service

Core Facility Improvements Timeline

2015-16	2016-17	2017-20
Planning, environmental review	Design Engineering	Construction

¹ Figures are based on Plan Bay Area's Performance Assessment for SFMTA Service Frequency Improvements, a similar set of improvements to these projects. Depending on program guidelines, a future proposal for funding may require updated calculations.

² Disadvantaged Communities is defined by CalEPA CalEnviroScreen 2.0.



Metropolitan Transportation Commission Cap and Trade Funding TRANSIT CORE CAPACITY CHALLENGE GRANT PROGRAM



BART: Railcar Expansion and Train Control System VTA: Railcars for San Jose Extension

Estimated Total Project Cost: \$2.2 billion

MTC Adopted Framework Cap-and-Trade Funds: \$201 million

Funding Leverage: 10% Cap-and-Trade, 90% other funds

Sponsor/Lead Implementing Agency: BART

Project Description:

Railcar Expansion

Cost: \$1.52 billion

Cap-and-Trade Investment: \$75 million

- 204 new cars to relieve overcrowding, and serve extension to Warm Springs and San Jose.
- Total project cost includes part of the cost of replacing BART's current fleet of 669 cars.



Train Control System

Cost: \$700 million

Cap-and-Trade Investment: \$126 million

- State-of-the-art technology to monitor and control train movements to improve service, safety and reliability.



Benefits:

- Increases passenger capacity, reduces overcrowding and moves more people through congested system.
- Boosts service frequency to every 12 minutes (from 15 minutes) on all lines.
- Accommodates extension of BART system to Warm Springs and San Jose.
- Improves safety and reliability.
- Reduces future breakdowns and service delays.

Key Project Benefits, At a Glance

Annual VMT Reduction	42 million
Annual GHG Reduction	23,000 metric tons (equivalent to taking 4,800 passenger vehicles off the road annually.) ¹
Benefits to Disadvantaged Communities	17 BART stations are within a ½ mile of a Disadvantaged Community. Over 120,000 residents within disadvantaged communities reside within ½ mile of a BART station (represents 32% of all Bay Area DAC residents). ²
Supportive Land Use	38 BART stations are located within 33 Priority Development Areas, with a population of 692,506.

Railcar Expansion Timeline

2015	2017	2021
First 10 cars delivered as pilot cars	First new cars go into service	775 train cars in service

Train Control System Timeline

2016	2017–20	2017–22
Test track installation and deployment	Outfit fleet with train control equipment	Deploy trackway train control equipment

¹ Figures are based on Plan Bay Area's Performance Assessment for BART Service Frequency Improvements, a similar set of improvements to these projects. Depending on program guidelines, a future proposal for funding may require updated calculations.

² Disadvantaged Communities is defined by CalEPA CalEnviroScreen 2.0.



AC Transit Fleet Expansion & Facilities Rehabilitation

Estimated Total Project Cost: **\$358 million**

MTC Adopted Framework Cap-and-Trade Funds: **\$207 million**

Funding Leverage: **58% Cap-and-Trade, 42% other funds**

Sponsor/Lead Implementing Agency: **AC Transit**

Project Description:

Fleet Expansion

Cost: \$90 million

Cap-and-Trade Investment: \$45 million

- 79 new diesel-electric hybrid buses to implement Bus Rapid Transit and other service expansions.
- Improve connectivity between local bus service, Bus Rapid Transit, and BART

Core Facilities Improvements

Cost: \$268 million

Cap-and-Trade Investment: \$162 million

- Replace equipment at AC Transit maintenance and operation facilities, including facilities critical to running Bus Rapid Transit, and re-open Richmond Operating Facility to accommodate larger bus fleet.

Benefits:

- Increases passenger capacity and accommodates projected ridership demand.
- Increases service frequency on busiest AC Transit routes, increases speed, and improves safety and reliability.
- Hybrid vehicles improve air quality and reduce emissions.
- Modern, upgraded facilities are necessary to prepare for an expanded fleet of hybrid vehicles.
- Reduces operating costs associated with facilities maintenance

Key Project Benefits, At a Glance

Annual VMT Reduction	29 million
Annual GHG Reduction	11,000 metric tons (equivalent to taking 2,300 passenger vehicles off the road annually.) ¹
Benefits to Disadvantaged Communities	1,800 AC Transit stops are within ½ mile of a Disadvantaged Community. Over 245,000 residents within disadvantaged communities reside within ½ mile of an AC Transit station (represents 63% of all Bay Area DAC residents). ²
Supportive Land Use	2,218 AC Transit stops are located within 51 Priority Development Areas, with a population of 715,338.

Timeline

2016	2017	2018
Operations Control Center relocated 27 hybrid buses for BRT service arrive	Richmond Operating Division 3 reopens 15 service expansion, 25 hybrid replacement, 40 non-hybrid replacement buses arrive East Bay BRT opens	CAD/AVL system Installation complete 66 replacement buses arrive

¹ Figures are based on Plan Bay Area's Performance Assessment for AC Transit Service Frequency Improvements, a similar set of improvements to these projects. Depending on program guidelines, a future proposal for funding may require updated calculations.

² Disadvantaged Communities is defined by CalEPA CalEnviroScreen 2.0.



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January 8, 2015

The Honorable Jim Beall
Senator, 15th District
State Capitol, Room 5066
Sacramento, CA 95814

Dear Senator Beall:

Thank you for hosting the productive meeting on December 18th regarding Cap and Trade and the future of Bay Area transit. We appreciate your insights on our region's transit capital priorities and look forward to working with you on improvements to the State programs that can help deliver these key investments.

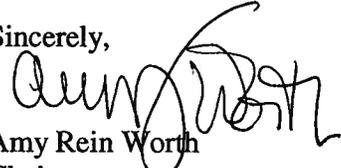
MTC shares many of your concerns regarding the Transit and Intercity Rail Capital Program (TIRCP) draft guidelines. MTC has urged CalSTA to enable Full Funding Grant Agreements to assure grantees of predictable multi-year support to deliver large, complex projects. CalSTA should also authorize letters of no prejudice to allow operators to expend their own funds on projects and be reimbursed in the future. We know these and other proposed modifications to TIRCP are included in your recently introduced SB 9, and we look forward to working with you and our partners to ensure this program provides the critical funding to complete our region's most transformational projects.

As you know, MTC in 2013 launched a \$7.5 billion Core Capacity Challenge Grant Program to modernize the core of the regional transit network, increase capacity, improve reliability, and lay the groundwork for future expansion. We appreciate your receptivity to many of the key projects included in this commitment, such as BART train control, fleet expansions for SFMTA and AC Transit, and expansion of BART's railcars to enable the future extension to San Jose.

The BART extension to San Jose is one of the region's highest priority projects, and MTC shares your commitment to funding and delivering this project in the near term. While the Core Capacity Challenge Grant Program addresses this commitment in part through leveraging Cap and Trade funding for BART's railcar expansion, we agree that the Commission should consider expanding the program to augment regional funding advocacy for this project. We intend to bring this matter to the Commission's attention within the next several months, once initial Cap and Trade auctions clarify the magnitude of future transportation revenues.

Thank you again for your support of the Bay Area's transportation priorities.

Sincerely,


Amy Rein Worth
Chair

Sincerely,


Dave Cortese
Vice Chair

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California State Senate

SENATOR
JIM BEALL

FIFTEENTH SENATE DISTRICT



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October 22, 2014

Amy Rein Worth, Chair
Metropolitan Transportation Commission
101 Eighth Street
Oakland, California 94607

Dear Chairwoman Rein Worth,

As Chairman of the Senate Budget Subcommittee 2 on Transportation, I have been deeply involved in the development of the Cap and Trade framework and the statewide policy that will maximize the use of Cap and Trade funds to meet the goals of AB 32.

One of the key sources of project funding is the Transit and Intercity Rail Capital Program, which will be administered by the California State Transportation Agency (CalSTA). This is a statewide competitive program. The Bay Area should put forth the most competitive projects that will achieve significant amount of GHG reductions as well as transform Northern California's transit system.

At the Metropolitan Transportation Commission's (MTC) Program and Allocations Committee Meeting on October 8th, MTC's staff recommended to continue to pursue projects prioritized under the outdated Core Capacity Challenge Grant Program, which was one element of MTC's Regional Cap and Trade Funding Framework. This plan was adopted by the Commission prior to the Legislature voting for SB 862, which provided a statewide policy and expenditure plan for allocating Cap and Trade Funds. MTC's current direction significantly disadvantages the Bay Area by putting forth projects focusing on rehabilitation and repair rather than those that deliver the most GHG reductions.

The Bay Area has several rail expansion projects that yield far greater GHG reductions that are more competitive than the current priority projects adopted. For example, one of the largest public transit projects in the state is the expansion of the Bay Area Rapid Transit (BART) Silicon Valley. Projects like BART to San Jose should be a regional priority as it will reduce approximately 16,000 tons of GHGs per year. Even under MTC's most optimistic projections it would take anywhere from 10 to 18 years to fulfill the commitment to the priority projects.

It is imperative that MTC revisit the Commission's priorities and adjust the Regional Cap and Trade Funding Framework to align with the Legislature's direction and give the Bay Area an advantage as projects are considered at CalSTA.

Sincerely,



Jim Beall,
Senate District 15

Cc: Commissioner Dave Cortese
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