METROPOLITAN
TRANSPORTATION
COMMISSION

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: Partnership Technical Advisory Committee DATE: December 11, 2007

FR: Ashley Nguyen W. I.

RE: Vision Policy Questions

New Vision for the Bay Area's Future

At the core of the Transportation 2035 Plan is a vision of what our transportation system should look like in 2035 – including what will be needed to address future growth and congestion, and the role transportation will play to meet the challenges of supporting focused growth, improving air quality, and protecting our climate. To help us define the Transportation 2035 Vision, MTC arrayed our plan goals under the Three Es of economy, environment, and equity, and instituted for the first-time a performance-based analysis to help frame and guide the ensuing policy and investment discussions. Five ambitious performance targets – reduce congestion, reduce emissions and vehicle miles traveled, and improve affordability – were set; and three infrastructure packages, coupled with aggressive pricing and land use "what if" scenarios, were tested against these targets through a rigorous travel demand modeling exercise.

The four key lessons learned from our target analysis are as follows:

1. A performance-based analysis frames a more informed policy discussion.
2. Infrastructure projects alone do not achieve our targets; however, the Freeway Operations strategy is effective for congestion relief.
3. Road pricing has a much bigger effect. A first step is with the implementation of a Regional High-Occupancy Toll (HOT) Network and San Francisco's Doyle Drive toll project.
4. Focused growth helps us reach targets in the longer term. A first step is with the implementation of the FOCUS priority development areas (PDAs).

Policy Questions

Our challenge is to translate what we have learned from the target analysis into policies and investment strategies for the Transportation 2035 Plan. As of this writing, staff had previously posed four of the following five policy questions (climate change has been newly added) for further input by the Commission at its November 28 workshop and the Partnership Board at its November 30 meeting. A summary assessment of what we heard at those meetings is contained in Attachments A through E. Staff will be discussing these policy questions with our three advisory committees over the next two weeks and will report that feedback to the Planning Committee at its December 14 meeting and to the Partnership TAC at its December 17 meeting.

The five policy questions are as follows:

1. Should we adopt performance targets? *See Attachment A.*
2. How do we get the price right? *See Attachment B.*
3. How do we encourage focused growth? *See Attachment C.*
4. How do we implement the Freeway Performance Initiative? *See Attachment D.*
5. Should we develop a regional climate protection program? *See Attachment E.*

After additional discussions with partner agencies and stakeholders later this month and early next, staff will return to the Planning Committee in January 2008 with staff recommendations on how to proceed with the policy investment strategies.

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Attachment A
Should We Adopt Performance Targets?

To help us define the Transportation 2035 Vision, we began by defining ambitious performance targets for each of the three E's – economy, environment, and equity – taking our lead from state plans and legislation where possible. These targets are not the sole objectives we seek to achieve in a comprehensive long-range plan. They do, however, provide guideposts that allow us to test—through models and other analytical tools—what it might take to shape and achieve a different transportation environment 25 years in the future. Through our analysis of the infrastructure investments and analysis of the aggressive pricing and land use policies, we were able to understand whether the targets are achievable, what it would take to reach them, and what new authority, new partnerships and new policies may be required to help us make progress towards them.

Should we adopt performance targets? This is the first-time that MTC would use a performance-based analysis at the beginning of the visioning process to illustrate infrastructure and pricing/land use policy effects. At the November 28 Commission workshop and November 30 Partnership Board meeting, there was general feedback that using targets to inform investment decisions was a reasonable approach. The Partnership Board suggested that we establish an ad hoc Partnership working group of CMA and transit agency planners, along with ABAG and Caltrans, to flesh out the details about carrying the targets forward into the project-level performance assessment.

If we do adopt targets, should we set less ambitious numerical goals? Staff received varying input about the targets – some observed that the targets are too ambitious and should be adjusted so that we do not set unrealistic expectations; some felt that the targets should be kept ambitious so that we aim high and raise our performance bar; and some asked questions about the legal ramifications of adopting targets. At the Commission workshop, we heard that we should adopt ambitious targets but need to regularly monitor our progress toward them and adjust the targets periodically as conditions warrant. Furthermore, to address legal concerns, we should clearly state that these targets are non-binding performance benchmarks that are used to help us make progress towards improving our transportation system. Similarly, the Partnership Board offered the same input, with a suggestion to change the wording from target to goal.

Should we add targets to cover other goals? There are three goals that are not fully captured in the four performance targets – maintenance, safety/security, and freight. At the workshop, Commissioners agreed that there should be targets to cover other goals, particularly maintenance and safety since these are important regional priorities. While the Partnership Board also agreed in concept, they noted the maintenance targets for local streets and roads and transit would require further discussion. With regards to the other goals, the Partnership Board did not discuss the full details but there was general acknowledgement that the target for goods movement may be subsumed in the congestion target and a regional target for transportation security may not be appropriate given that this issue is being addressed nationally by the Department of Homeland Security.

Attachment B
How Do We Get the Price Right?

Road pricing is an effective way to make progress toward the targets. Staff believes development of a regional network of High-Occupancy/Toll (HOT) lanes could be a good first step to implement pricing in a substantive way throughout the Bay Area. HOT lanes are generally more easily accepted than other pricing strategies because use is voluntary. The HOT network would be developed by converting existing HOV lanes to HOT lanes and using the revenue to complete HOV/HOT system gaps and fund complementary transit service. Additionally, Alameda and Santa Clara counties are already taking initial steps by developing HOT lane demonstration corridors (on I-680, I-580, US 101 and SR 85) authorized under current state law.

Recent analysis by MTC and Caltrans finds a HOT network is viable and could be self-financing. This offers several advantages: (1) the network could be completed within the Transportation 2035 timeframe, many years sooner than we could complete the HOV system without toll financing; (2) by financing with toll revenue, it is possible to free up more than $700 million in State Transportation Improvement Program (STIP) funds in the current Transportation 2030 Plan for other projects. The total includes $480 million in Interregional Transportation Improvement Program (ITIP) funds, which are not dedicated to particular counties; (3) the HOT network generates an estimated $200 million to $5 billion in net revenue that could be used to fund other transportation improvements over the Transportation 2035 period.

While analysis shows the network is technically feasible, political feasibility hinges on reaching agreement on two matters related to governance and revenue:

1. MTC would need legislative authority to develop and administer a regional network. The HOT lane demonstration projects now underway are governed locally, but a regional network would be the most administratively efficient way to implement and operate the system.
2. Regional stakeholders must develop agreements to pool toll revenues to finance the regional system; this approach is similar to how the interstate highway system was built and the region's toll bridge program currently is structured.

Is the Commission ready to work with Caltrans, California Highway Patrol and Bay Area counties to broker agreements to develop a regional HOT network? Commissioners expressed support for a HOT network and desire to make inroads on pricing. Several stated a willingness to meet with each other and local representatives to broker a consensus in the next few months so as to free up STIP revenue and include HOT revenue in the financially constrained RTP element. In this spirit, staff plans to convene a series of meetings among Commissioners, local elected officials, Caltrans and CHP to try to develop revenue pooling agreements and a legislative strategy.

The Partnership Board voiced mixed views. On a positive note, there was general support for including HOT lanes in the RTP. Several felt the notion needed to be approached regionally, in terms of governance, financing and system benefits. Others stopped short of endorsing this view. The range of comments and concerns included:

(1) Current state law specifies HOT lane revenue generated in a corridor must stay in that corridor; anything else is a tough sell.
(2) Some Partners noted HOT revenue frees up revenue for other purposes even in the absence of revenue pooling. Others suggested emphasizing system benefits by showing crisscrossing trip origins and destinations and overall regional mobility benefits from a regional network; and
(3) The notion of pooling of revenues and developing a regional network to "spreading" benefits may spark interest by some boards that have previously been uninterested in HOT lanes.

Attachment C
How Do We Implement Freeway Performance Initiative?

The Freeway Performance Initiative (FPI) is comprised of the following key elements:

(1). full deployment of the Traffic Operations System (TOS) infrastructure to improve efficiency of the freeway systems and to manage non-recurrent congestion by minimizing the impacts of incidents on travel time reliability;

(2). implementation of ramp metering on the region's entire freeway system to accomplish demand management and maximize use of the freeway system's available capacity;

(3). management of major travel corridors to balance freeway and arterial traffic through comprehensive integration of all travel modes using improved arterial operations and signal coordination; and

(4). closing of critical gaps in the region's HOV lane system through use of short-distance and easily implemented gap closures.

Performance assessment results show that this strategy, with an estimated capital cost of $600 million, is extremely cost-effective in achieving the congestion and emission targets of Transportation 2035. In comparison, the HOT and local express bus strategy costs 15 to 50 times more and the rail and ferry strategy costs 100 to 300 times more for the same benefit.

Should the Transportation 2035 Plan direct more funding toward these kinds of improvements and give it the highest priority for discretionary funding? Given that the scenario assessment indicates that freeway operational improvements are most effective in addressing congestion, Commissioners present at the workshop supported FPI, and the Partnership replied affirmative as well but asked if $600 million was enough. Note here that as part of Transportation 2030 Plan, the Commission adopted a policy under Resolution 3609 that requires that all new major freeway projects in the Bay Area install TOS and ramp metering equipment. This policy has been largely adhered to, although there have been some notable exceptions. Staff will request that the Commission re-affirm their support for this policy and to consider elevating its priority for discretionary funding eligibility.

Should RTP policy condition discretionary funding on commitments from project sponsors to develop corridor ramp metering agreements? At the workshop, some Commissioners noted that ramp metering has been well-received and successfully implemented in San Mateo and Santa Clara counties, and would like staff to continue to work with Caltrans, the CMAs and local jurisdictions to implement ramp metering on a corridor-by-corridor basis.

Should RTP policy mandate a similar comprehensive review for transit systems to identify low cost, high payoff improvements? There was some interest expressed at October 26 Bay Area on the Move summit and the November 28 Commission workshop to develop a transit efficiency program. Proposed improvements could include, but not be limited to, expansion of bus rapid transit (BRT) systems, improved arterial signal timing/signal pre-emption for buses, improved asset management. Given these initial inputs, staff would like to explore the concept further with our partner agencies and stakeholders.

Attachment D
How Do We Encourage Focused Growth?

The target analysis done for the Transportation 2035 vision suggests that focused growth, along with pricing, can be more effective than many infrastructure investments in assisting the region in meeting its performance objectives. Priority Development Areas (PDAs) are a voluntary, incentive-based approach for implementing focused growth. They help bridge the gap between regional transportation objectives and local land-use authority. The current inventory of adopted PDAs (planned and potential) includes nearly 150 individual areas across the region. Together they consume only about three percent of the region’s land area, but based on estimates provided by local governments they could accommodate nearly one-half of the Bay Area’s growth to 2035, all in locations that will be easily accessible to high-quality transit.

How do we encourage focused growth? What sources of funds should be used? For starters, MTC has made a commitment to support local-government PDA planning through Station Area Planning Grant funds. Staff questioned whether the Commission wished to allocate additional discretionary funds for local and streets and road maintenance in PDAs; the notion being that those areas which have agreed to accept more growth and therefore more local traffic, would get a larger share of the discretionary funding. However, at the workshop, most Commissioners present did not support this concept since there are substantially more needs than there are funds. The Partnership Board echoed this same sentiment.

That leaves the Transportation for Livable Communities Program as the next most appropriate existing source of PDA incentive funds. While there was also hesitation to substantially modify this program, we detected a willingness from Commissioners to weight some grant criteria toward PDAs while still retaining some funding ability for non-PDA areas. The Partnership Board did not provide input on this question.

Given this additional demand on TLC, should funding be increased? Staff intends to address these issues as we look at trade-offs among programs and projects seeking inclusion in the financially constrained RTP. Neither the Commission nor the Partnership Board directly commented on this question. Several Commissioners present did express support for identifying new and enhanced revenue sources that can be applied to PDA assistance.

Attachment E
Should We Develop a Regional Climate Protection Program?

Joint Policy Committee members have previously expressed support for making climate protection the overriding consideration for how we develop Transportation 2035 investment strategies. These same members have expressed interest in funding specific programs aimed at reducing greenhouse gas emissions.

The target analysis indicated that the region would only get about a third of the way toward achieving the target to reduce CO_2 emissions to 40% below 1990 levels in 2035, even with implementation of aggressive pricing and smart growth strategies. This result clearly indicates that significant technology and behavioral changes beyond MTC's control will need to be pursued if transportation is to carry its proportionate share of the state's CO_2 reductions required by AB 32. It also clearly indicates that there will not be one single strategy, but multiple strategies, that will need to be pursued to get us close to our targets.

The region is presently classified as marginal non-attainment for the federal 8-hour ozone standard; in addition, the region typically exceeds the state ozone standard several times each summer. To address this issue, the Air District and MTC have embarked on several innovative emission reduction programs aimed to reduce ozone and other emissions, including vehicle buy-back programs, bus particulate traps, and free transit on Spare-the-Air days.

This effort could be replicated in a regional CO_2 reduction program. Many of the above strategies, along with other ongoing investment strategies, such as HOV lane and transit expansion, arterial signal timing and bicycle and pedestrian improvements, are themselves CO_2 reduction strategies. In addition, regional agency staffs are currently identifying possible program strategies that could be employed to specifically reduce CO_2 emission. Strategies that are emerging from staff discussions include public education campaigns, clean vehicle incentive programs and telecommuting incentives programs.

The question about creating a regional climate protection program was not posed at either the Commission workshop or Partnership Board meeting, but we believe it is worthy of discussion and debate. However, over the next month or two, staff will be developing more definitive proposals for specific CO_2 reduction programs that could be considered for inclusion in the Transportation 2035 and will present our ideas to the Commission and JPC for discussion.