



December 15, 2009

Economic and Allocation Advisory Committee
California Environmental Protection Agency
1001 I Street
Sacramento, CA 95812

RE: **Comments on “Allocating Emissions Allowances Under California’s Cap-and-Trade Program” Draft Report**

Dear Chairman Goulder and EAAC Members:

On behalf of the Sacramento Area Council of Governments (SACOG), I thank you for your hard work in preparing an excellent draft report to guide ARB’s implementation of the statewide cap-and trade system called for in AB 32. We compliment the Committee on the quality of the report that has been pulled together in such a short time-frame and appreciate the opportunity to provide comments at this point of the process. SACOG is the council of governments (COG) and metropolitan planning organization (MPO) for El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba counties, and their 22 cities. Our diverse region of urban and rural communities is home to 2.3 million people. We have statutory responsibility under SB 375 to develop a Sustainable Communities Strategy to reduce greenhouse gas emissions in the Sacramento region.

We strongly support your recommendation (#11, Allocation Report Draft 12-14-2009) that ARB devote a significant share of allowance value toward financing of public and private investment oriented toward achieving low-cost emissions reductions, adaptation, and environmental remediation.

We support your findings in Chapter 5 related to transportation and land use. There are three critical areas of underinvestment that could yield significant GHG benefits: pent-up market demand for a variety of housing types; regional land use planning; and, transit operations and infrastructure. We recommend that a portion of allowances be made available for addressing each issue.

Funding Local Planning Updates for Housing

SACOG is responsible for preparing a regional Sustainable Communities Strategies (SCS) to meet our GHG reduction target. In order to do this, many local governments need to update their general plans and zoning codes to be consistent with SB 375. For many local governments, their general plans are outdated and they lack the funding to do this basic planning work. The League of California Cities estimated the cost of bringing all California general plans up to date and consistent with the SCS at \$500 million, with an additional \$50 million required annually for ongoing updates. This funding is necessary to comply with SB 375, and is part of the AB 32 Scoping Plan; therefore, it should be a priority use of allocation value. The greenhouse gas benefits would not only result from the SCS, but also from diversifying housing options, which the Sacramento region’s market has strongly supported.

Funding Regional Planning to Comply With SB 375

As previously mentioned, SACOG is responsible for a regional SCS. The Natural Resources Defense Council has estimated between \$50-100 million is needed for getting regions and local governments updated to start SCS work. Additionally, after the start up period, CALCOG

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estimates the costs to regions alone at \$20 million annually. These costs are not covered by existing federal planning funds, and MPOs have little to no authority to raise revenue, so these funds must come from a state source. As you cited from our experience at SACOG, a small investment in regional land use planning (\$3-4 million) leveraged significant cost savings (\$16 billion in infrastructure and mitigation costs), while preserving open space and reducing greenhouse gas emissions by 15 percent. We also found water consumption savings of 31 percent per unit for new development compared to existing development, in addition to the energy savings from reduced pumping costs. As chair of the Regional Targets Advisory Committee, our final report noted that there were many other co-benefits of linking transportation and land use strategies, such as less dependence on foreign oil.

Invest in transportation infrastructure including public transit and non-motorized facilities, and acceleration of cleaner fleets.

SACOG is responsible for preparing the Metropolitan Transportation Plan (MTP), a comprehensive blueprint for the development, maintenance, and operations of transportation facilities in the Sacramento region. Our most recently adopted MTP2035 estimates that \$10.1 billion is necessary to operate and maintain the transit system over the next 25 years. Today, transit operating funds are desperately needed across the state. Federal funds are available to purchase vehicles and expand rail service, but except in very limited circumstances they do not offer operating funds to go along with those. As you know, the Legislature completely eliminated the primary state source of operating funds (State Transit Assistance). It makes sense to provide transit operating funds through allowances, given their emissions reductions benefits, and we thank the Committee for the supportive language in Chapter 5 of the Allocation Report Draft. We believe transit funding should be recommended as a high-priority use of allocation value in the final report.

Transit is part of a multimodal strategy in the Sacramento region to meet our residents' transportation needs. As the region shifts to a more compact, dense land use pattern, a greater share of trips will be short trips—those for which bicycling and walking are the most viable. And as compact development increases, bicycling and walking will be increasingly important for connecting to transit. It is critical that the transit investments be in place first to maximize the opportunities for transit supportive development and travel behavior change. The benefits from land use changes will take time, but can be realized as significant towards our AB 32 goals when supported with robust transit service which requires both capital and operational support now. We hope the Committee will consider expanding the discussion on transit and land use investments to also include non-motorized transportation facilities as another use of allocation value.

SACOG is doing other complementary work to reduce transportation sector GHG emissions in the Sacramento region. Cap-and-trade allowances dedicated to transportation investments and land use planning will support regional efforts to reduce GHG emissions. If the Committee has any questions, please contact either Gordon Garry, Director of Research & Analysis, at (916) 340-6230 or Matt Carpenter, Director of Transportation Planning, at (916) 340-676.

Thank you for your consideration of our comments.

Sincerely,



Mike McKeever
Executive Director

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