Use of Cap & Trade Funds to Promote State Goals

The new state budget has $200 million for low carbon transportation and $130 million for affordable housing near transit. Here are some ideas about how to manage the money.

**Funding a Green Bank to provide low-cost, long-term energy financing**

The purpose of this bank should be financing to meet AB 32 and SB 375 goals, not just energy narrowly defined, which overlooks the importance of land use, low-carbon transportation, infrastructure development, and natural resource management and protection in reducing fossil carbon emissions.

The financing should have a reasonable chance of repayment but more risk than private lending is willing to assume, to support innovative investments that could demonstrate the market viability of cutting edge ideas. The bank should be an investment bank similar to an equity fund. Its investments and loans should be based on transparent competitions for a set amount of funds every quarter.

The competition should include one for larger scale neighborhood developments (details below). The question to developers is not, Will you invest? The question is, What will it take to get you to invest? The funding should be enough to get developers to respond to a Request for Proposals by a city which has won Green Bank funding. It may require control of the land, or that plus entitlement, or those plus a warranty to support a low side return on a negotiated pro forma. Developers need to be involved in the process of structuring the competition so that it makes sense to them.

**The gap between policies and projects**

Problem: Policy people and investors live in very different worlds. Policy people are trying to nudge an uninterested and skeptical public into accepting multiple dwelling housing close to transit and to discourage developers from building what the public would buy if it could—subsidized housing on open space reached by subsidized roads using subsidized personal vehicles. The public and developers still operate within a culture that is not really economic nor sustainable. From a developers point of view, they will invest once there is enough promise of return and reduction of risk. Redevelopment agencies were once able to help; now we need something new.

**The gap between smart growth and sustainability**

Smart growth so far consists largely of more bundled parking under a platform or built into a townhouse, which results in more non-market parking after redevelopment than before. To exaggerate a little, smart growth just jams suburbia into a smaller area and denies consumers the ability to avoid paying for parking they don’t want and don’t need. Can we demonstrate market viability for a smarter kind of smart growth?

**De minimis “consistent with” hurdle vs. “better than” competition for excellence**

Policy people have to deal with the ambivalence of the policy process, where we all want to be treated like everyone else and we also want presents at Christmas. Superficial, self-interested rationalizations constantly importune parents and politicians. As a result, advocates for smart growth push for funding anything that is consistent with minimal definitions of smart growth. The two leading definitions are the HCD TOD Housing Program Guidelines and the SB 375 High Quality Transit Areas.

These definitions are better than nothing; they are politically necessary to help all localities feel they can get a piece of the cap/trade pie. However, we should also make sure there are some funds for a competition for excellence, where cities compete for funds by proposing projects that are the best considering a number of criteria (details below).

**Middle class housing or fail**

The cap/trade guidelines must support middle income, sustainable housing, or they will fail for two reasons. One, we as a culture don’t know how to make pedestrian neighborhood systems work. We get confused with high rise and being against the car. We need a few large new neighborhoods, designed physically and socially from the ground up, to get experience in fine tuning a new system. Two, the amount of demonstration grant housing possible in itself is negligible. It is the demonstration effect that matters:
demonstration to private developers and to the middle class. Only that can bend urban history away from the suburban detour.

Criteria for a state level competition for funding for smarter projects

The competition funded by the Green Bank should have criteria to qualify to compete, and criteria for evaluation of which proposal competes best.

Criteria to compete

A pedestrian sustainable neighborhood requires economies of scale, more specifically enough people at enough density to support local serving business or a rapid shuttle to a nearby business area. The area should be 25 acres or more, attain a minimum population of 1,500 persons, have a minimum density of 70 persons per gross residential acre excluding parking off on the side, walking streets, location on a corridor about 2.5 miles or less from an urban rail station, and a rapid shuttle. Mixed use within the area is less important than the ability to do errands in an acceptable travel time.

Criteria for evaluation

The evaluation would look at the proposal as a whole considering all these criteria.

- Location on a short corridor connected to urban rail with potential for redevelopment to functional density from economies of scale.
- Shuttle service on the corridor to urban rail that is fast, frequent, and free (10 minute headway minimum, eco-pass, rapid bus)
- Land-based finance of shuttle capital and operating expenses.
- Ownership and management directly or using an RFP for an operator for cost control.
- Rapid shuttle features: Low floor bus, raised sidewalk stops, guided close docking, no step entry, proof of purchase/no fare collection, right turn lane used by through bus with signal control, signal preference, dual mode motor with potential for biodiesel or all-electric motor or other advanced motor, strong hill climbing power and regenerative braking if operating on hills, 30 foot or smaller size for speed and maneuverability, stops that balance speed with support for corridor development.
- Guaranteed ride home from urban rail when shuttle is not running.
- Carshare, car rental, and HOA van.
- Limited taxi vouchers for important trips not well-served by transit, such as for health care.
- Limited parking on site to one space for half the units or fewer.
- Parking is leased at a market rate based on periodic bidding; Off-site leased parking is nearby.
- Incentives to not use an on-site parking space which, if successful, allow more units to be built (deparking policies).
- Highly insulated, sun-managing housing, net zero on the grid except for cooking and clothes drying.
- Sustainable storm water, sewage, water, and landscaping.
- Design for health and safety, walking streets, a fitness center, recreational trails, reduced pollution, few auto accidents, support for families with children.
- Appealing design of housing, landscaping, and streetscapes for people (not necessarily to architects).
- A Home Owners Association with some funds and policies to enhance community, a community center, small parks.
- Affordability of 50% or more units to incomes at 120 percent of median using cost-effective building techniques and minimal cross-subsidy.
- Education to help buyers understand how alternative mobility would work for them, if feasible given their particular travel needs.
- Phased implementation with a way to work out the kinks, and make the adjustments and extra effort needed to make alternative mobility work for residents.

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