



Board Agenda Item #9

Action

Agenda Date: October 12, 2017

Prepared By: Yushuo Chang, Planning and Monitoring Section Manager

Topic: Cost-effectiveness Amount for CEQA Mitigation and amendment of "Review of Land Use Projects under CEQA" Policy

Action Requested: Adopt Resolution #17-12 (Attachment #1), thereby:

- 1) adopting the District's CEQA cost-effectiveness amount for CEQA mitigation purposes as \$18,262 per ton, to be adjusted by the California Consumer Price Index (CPI) annually, starting in 2018;
- 2) approving the amendment of the Review of Land Use Projects under CEQA Policy, as shown in Resolution #17-12 Exhibit I; and
- 3) directing District staff to use the adopted cost-effectiveness amount to calculate offsite mitigation fees when required by the lead agency under CEQA to mitigate the project's air quality impacts.

Background: Since 1997, the District has recommended to lead agencies "Offsite Mitigation Measures" as a feasible mitigation measure for land use development projects. This voluntary measure provides an alternative when a land use project's on-site mitigation measures are not sufficient to offset the project's total emissions under California Environmental Quality Act (CEQA) review. If this recommendation is approved by the lead agency, the project developer can choose to either implement an off-site emission reduction project by itself or make a funding contribution as incentives for emission reduction projects that are not required to reduce emissions by any existing regulations or laws. Both implementing off-site projects and making a funding contribution to emission reduction projects should target the same type of pollutant and generate the same amount of emission reduction required by the lead agency.

Because many developers have chosen to participate in the offsite mitigation measure by making a payment, your Board adopted the Land Use Air Quality Mitigation Funds Policy in April 2001 (amended in December 2008) to establish guidelines on the use of offsite mitigation funds (fees) received. This policy included an example of the offsite mitigation fee calculation, along with the type of eligible projects that could be funded. Fees received from developers are part of the District's annual Clean Air Grant (CAG) program which funds emission reduction projects that can cost-effectively achieve their goals of emission reductions.

On October 13, 2016, your Board adopted the Review of Land Use Projects under CEQA Policy which further addresses when the recommended offsite mitigation measures should be used and how to calculate the mitigation fee for a land use project. This policy explicitly asserts that the offsite mitigation fee calculation is tied to the cost-effectiveness limit identified by the most currently California Air Resources Board (CARB) Carl Moyer Program (Moyer Program) Guidelines. At the time, District staff believed that the Moyer

Program's cost-effectiveness limit was the proper nexus for determining the offsite mitigation fee for a land use project when the measure is required by the lead agency to mitigate the project's related air quality impacts.

The Moyer Program is a voluntary grant program providing incentive funds to purchase cleaner-than-required engines, equipment, and emission reduction technologies. The program has been implemented since 1998 through a partnership between CARB and California's 35 local air districts. The program's cost-effectiveness limit presents the reasonable maximum amount of funds which can be paid for each ton of emission reduction from a Moyer Program project's implementation. The initial Moyer Program's cost-effectiveness limit in 1998 was \$12,000 per weighted ton of emission reduction (ton). It is adjusted based on changes in the California CPI annually. In 2016, the Moyer Program's cost-effectiveness limit was set as \$18,262 per ton.

Discussion: The Moyer Program's Guidelines were amended by CARB on April 27, 2017. The amendment increased the cost-effectiveness limit from \$18,262 to \$30,000 per ton. This change fulfills the direction given in Senate Bill 513 (Beall, 2015) which requires CARB to establish new cost-effectiveness values for the Moyer Program by considering the cost of new cleaner technology along with the cost of recent regulations. The rationale is that the higher cost-effectiveness limit would provide additional financial support to turn over engines and fleets to the cleanest certified technologies (which are not required by regulations), as they are now just emerging into the marketplace, in order to meet further emission reduction goals.

The 2017 Moyer Program cost-effectiveness limit represents a 64% increase from the previous cost-effectiveness limit of \$18,262 per ton in place when the Review of Land Use Projects under CEQA Policy was approved in October 2016. District staff believes that there still remain cost-effective projects in Placer County which can achieve emission reductions under the Moyer Program's previous cost-effectiveness limit of \$18,262 per ton. If the offsite mitigation fees to be calculated were based on the 2017 Moyer Program cost-effectiveness limit, this would result in substantially increased fees for land use projects implementing offsite mitigation measures. These increased fees could cause financial burdens to land use development and jeopardize the economic growth in Placer County.

As such, District staff proposes to 1) set \$18,262 per ton as the base cost-effectiveness amount for CEQA mitigation purposes, to be adjusted by California CPI annually; and 2) amend the Review of Land Use Projects under CEQA Policy to reflect this CEQA cost-effectiveness criteria. The District's CEQA cost-effectiveness amount will be used to calculate the offsite mitigation fee for a land use project when the offsite mitigation measure is approved by the lead agency under CEQA. The CPI adjusted cost-effectiveness amount will be published on the District's website and sent to lead agencies by July 1 each year, starting in 2018. The offsite mitigation fees paid by land use projects will continue funding emission reduction projects through the District's CAG program, in accordance with the CEQA cost-effectiveness amount published by each year. In the future, if there are no emission reduction projects in Placer County which can meet the CEQA cost-effectiveness amount to achieve emission reductions, staff may propose revised CEQA cost-effectiveness amount for your Board's consideration.

Fiscal Impacts: CEQA review of land use projects is a core program area, and sufficient staff resources are allocated in the District's budget. The adoption of the CEQA cost-effectiveness amount and the amendment of the Review of Land Use Projects under CEQA Policy will not increase staffing resources or costs beyond those currently allocated in the budget, nor result in any additional costs to land use developers who chose to participate in the District's Offsite Mitigation Measures program.

Recommendation: Adopt Resolution #17-12, thereby adopting the CEQA cost-effectiveness amount as \$18,262 per ton, to be adjusted annually by the California CPI; adopting the amendment of the Review of Land Use Projects under CEQA Policy, as shown in Resolution Exhibit I; and use the adopted cost-effectiveness amount to calculate offsite mitigation fees when it is required by the lead agency under CEQA to mitigate the project's air quality impacts.

Attachment: #1: Resolution #17-12, Adoption of Placer County Air Pollution Control District's Cost-effectiveness for CEQA Mitigation and Amendment of the Review of Land Use Projects under CEQA Policy, Provided as Exhibit I

ATTACHMENT #1

SUBJECT:

Resolution #17-12, Adoption of Placer County Air Pollution Control
District's Cost-effectiveness amount for CEQA mitigation and
Amendment of Review of Land Use Projects under CEQA Policy,
provided as Exhibit I



Board Resolution:
Resolution #17-12

Before the Placer County Air Pollution Control District Board of Directors

In the Matter Of: Adoption of the District’s cost-effectiveness amount for CEQA mitigation, to be adjusted by the California Consumer Price Index annually starting in 2018; adoption of the amendment of the Review of Land Use Projects under CEQA policy, as shown in Exhibit I; and direction to use the cost-effectiveness amount to calculate the offsite mitigation fee when it is required by the lead agency under CEQA to mitigate the project’s air quality impacts.

The following **RESOLUTION** was duly passed by the Placer County Air Pollution Control District Board of Directors at a regular meeting held on **October 12, 2017** by the following vote:

Ayes: Alvord _____ Berlant _____ Hesch _____ Holmes _____
Janda _____ Montgomery _____ Nader _____ Weygandt _____
Alternates: Onderko (Loomis) _____

Noes: Alvord _____ Berlant _____ Hesch _____ Holmes _____
Janda _____ Montgomery _____ Nader _____ Weygandt _____
Alternates: Onderko (Loomis) _____

Abstain: Alvord _____ Berlant _____ Hesch _____ Holmes _____
Janda _____ Montgomery _____ Nader _____ Weygandt _____
Alternates: Onderko (Loomis) _____

Signed and approved by me after its passage:

_____ Chairperson

_____ Attest: Clerk of said Board

WHEREAS, the California Health and Safety Code Section 40000 establishes the Placer County Air Pollution Control District as a public agency having primary responsibility for overseeing and regulating air pollution within Placer County; and

WHEREAS, the California Environmental Quality Act (CEQA) requires that public agencies recommend feasible mitigation measures or alternatives that would mitigate significant adverse effects on the environment from land use projects approved by local agencies; and

WHEREAS, The District has recommended offsite mitigation measures as an alternative to lead agencies when a land use project's on-site mitigation measures are not sufficient to mitigate the project-related air quality impact under CEQA review; and

WHEREAS, The District's Board of Directors approved the Land Use Air Quality Mitigation Funds Policy on April 12, 2001 to establish guidelines on the use of offsite mitigation fees received from land use projects; and

WHEREAS, the District's Board of Directors approved the Review of Land Use Projects under CEQA Policy on October 13, 2016, which asserts the offsite mitigation fee calculation be tied to the cost-effectiveness limit from the most current California Air Resources Board (CARB) Carl Moyer Program (Moyer Program) Guidelines; and the cost-effectiveness was \$18,262 per ton at that time; and

WHEREAS, the Moyer Program Guidelines were amended by CARB on April 27, 2017 to increase the cost-effectiveness limit to \$30,000 per ton to fulfill the direction given in Senate Bill 513 (Beall, 2015) to promote new cleaner technology for statewide regulations in order to meet further emission reduction goals; and

WHEREAS, the District's Board of Directors considers that using the amended Moyer Program's cost-effectiveness limit to calculate offsite mitigation fees would incur substantially increased fees for land use projects implementing offsite mitigation measures, and the increased fees would cause financial burdens to land use development and jeopardize the economic growth in Placer County; and

WHEREAS, District Staff believe cost-effective projects remain in Placer County which can still achieve expected emission reductions under the Moyer Program's previous cost-effectiveness limit of \$18,262 per ton through the District's Clean Air Grant (CAG) Program implementation; and

WHEREAS, the District's Board of Directors finds that the cost-effectiveness of \$18,262 per ton is still feasible to be used for offsite mitigation fee calculation for land use projects under CEQA in Placer County.

NOW THEREFORE BE IT RESOLVED, that the Placer County Air Pollution Control District Board of Directors does hereby adopt the cost-effectiveness amount for CEQA mitigation purposes in Placer County as \$18,262 per ton, to be adjusted by California Consumer price Index annually, starting in 2018; and

BE IT FURTHER RESOLVED, that the Placer County Air Pollution Control District Board does hereby adopt the amendment to the Review of Land Use Projects under CEQA Policy, as shown in Exhibit I; and

BE IT FURTHER RESOLVED, that the Placer County Air Pollution Control District Board does hereby direct staff to use the adopted CEQA cost-effectiveness amount to calculate offsite mitigation fees when it is required by the lead agency under CEQA to mitigate the project's air quality impacts.

Exhibit I: Amended Review of Land Use Projects under CEQA Policy

RESOLUTION 17-12
EXHIBIT I

SUBJECT:

Amended Review of Land Use Projects under CEQA Policy

PLACER COUNTY AIR POLLUTION CONTROL DISTRICT POLICY

REVIEW OF LAND USE PROJECTS UNDER CEQA

Placer County Air Pollution Control District (District) hereby adopts this written policy that includes the thresholds of significance for criteria pollutants and greenhouse gas (GHG) emissions, and the principles that serve as guidelines for District staff in the review of air quality impacts associated with land development projects that are under the purview of lead agencies who are conducting considering projects subject to the California Environmental Quality Act (CEQA).

Statement of Purpose

The District is responsible for managing air quality within Placer County in a manner that protects and promotes public health through education, regulation, voluntary emission reduction programs, and by funding activities that reduce of air pollutants. As a part of its efforts, the District assists lead agencies in their review of the air quality impacts from land use development, taking into consideration the economic and social impacts associated with such proposed land use projects. The District offers advice, thresholds of significance, and mitigation strategies to help lead agencies reduce both criteria pollutants and greenhouse gas (GHG) emissions.

Authority under CEQA

The District is established by the California Health and Safety Code as a public agency having primary responsibility for overseeing and regulating air pollution within Placer County¹. In general, the District reviews and comments on environmental documents which are prepared by lead agencies (cities, county, and other public agencies) for discretionary land use development projects within Placer County². CEQA recognizes the importance of input from public agencies like the District that have “jurisdiction by law” over natural resource areas³. The District takes an active role as a commenting agency in the inter-governmental review process under CEQA when assistance is requested by lead agencies. In addition to being a commenting agency, the District may also act as a responsible agency under CEQA when a project will emit air pollutants and require air district permits, such as gas stations or manufacturing facilities. On very rare occasions, the District may serve as a lead agency under CEQA.

District CEQA Review Program

The District provides local agencies information about how to comply with CEQA through its CEQA Review Program (Program). Staff review and sometimes comment on environmental documents, providing lead agencies with valuable information and technical support related to potential air quality impacts from land use projects. As a part of the Program, the District developed a CEQA Handbook in 2012, which was designed as an advisory tool with recommended mitigation measures, emission estimation models, and step-by-step procedures for conducting a thorough air quality analysis for land use projects.

¹ California Health and Safety Code §40000

² CEQA Guidelines §15044

³ CEQA Guidelines §15201

In addition to the CEQA Handbook, the Program includes thresholds of significance and several Working Principles as articulated in this Policy Statement. The thresholds of significance can assist lead agencies in determining the level of significance for air quality impacts from land use projects. The Working Principles are used by District staff when reviewing and commenting on the environmental documents prepared by lead agencies. These two components of this Policy Statement, as well as the CEQA Guidebook, ensure consistency and transparency in staff’s reviews and recommendations, which assist lead agencies in preparing legally adequate environmental documents supported by the District’s professional analyses to address potential air quality impacts from land use projects.

District Thresholds

The District shall apply the following thresholds of significance for criteria pollutants and greenhouse gas (GHG):

Criteria Pollutant Thresholds								
Construction Phase			Operational Phase Project-Level			Operational Phase Cumulative-Level		
ROG	NOx	PM ₁₀	ROG	NOx	PM ₁₀	ROG	NOx	PM ₁₀
(lbs/day)	(lbs/day)	(lbs/day)	(lbs/day)	(lbs/day)	(lbs/day)	(lbs/day)	(lbs/day)	(lbs/day)
82	82	82	55	55	82	55	55	82

Greenhouse Gas Thresholds			
Bright-line Threshold 10,000 MT CO ₂ e/yr			
Efficiency Matrix			
Residential		Non-residential	
Urban	Rural	Urban	Rural
(MT CO ₂ e/capita)		(MT CO ₂ e/1,000sf)	
4.5	5.5	26.5	27.3
De Minimis Level 1,100 MT CO ₂ e/yr			

The District Review Principles

When reviewing land use projects, the District:

- acts as a “Commenting Agency” under CEQA to assist lead agencies with the review of air quality analysis prepared for land use projects in most cases;
- works with lead agencies as early as possible in the CEQA review process in order to assist lead agencies with any sensitive, controversial, or other issues which would be associated with the project’s related air quality impacts;

- advises lead agencies to use the CEQA significant thresholds approved by the District’s Governing Board for determining the level of significance for air quality impacts from land use projects;
- provides peer review based on its expertise and knowledge regarding the available computing models, the current air pollution regulations or control programs, and the feasible mitigation strategies which would address air quality issues from land use projects;
- prepares written responses to lead agencies when staff has comments regarding issues found within the analyses;
- provides lists of feasible on-site and off-site mitigation measures for lead agencies to consider, to mitigate the related air quality impacts to the maximum extent feasible;
- recommends on-site mitigation measures as the preferred mechanism to reduce air quality impacts; and
- encourages lead agencies to consider an off-site mitigation measure when feasible on-site mitigation measures considered by the project are insufficient to mitigate the project’s related air quality impacts to a less-than-significant level.

When an off-site mitigation measure is considered by lead agencies to offset the criteria pollutant emissions, the District shall:

- recommend that the mitigation measure should explicitly identify the anticipated emission reductions and the method to implement;
- recommend that the anticipated emission reductions from the mitigation measure implementation be calculated by one of the following scenarios:
 - 1) if the measure is applied as a feasible measure to offset additional emissions, the anticipated emission reduction shall be calculated based on the amount of emissions exceeding the thresholds for a single season (summer for ozone precursors or winter for PM₁₀)⁴, or
 - 2) if the measure is applied to support a “less-than-significant” conclusion, the anticipated emission reduction shall be calculated based on the total amount of emissions exceeding the thresholds for each season, until the year in which the project’s operational emissions will be equal to the thresholds, or for a maximum of 20 seasons⁵.

⁴ Offsetting a single season’s emissions was endorsed by the District’s Land Use Air Quality Mitigation Funds Policy as economically feasible and has been applied by many major land use development projects in Placer County since 2001.

⁵ When a project is built out, the operational emissions are anticipated to occur continuously every day as a long-term impact throughout the project’s lifetime. Usually it can be estimated to be 40 years for new residential units or 25 years for conventional commercial buildings.

- recommend that the off-site mitigation measure for criteria pollutants be implemented by one of the following methods:
 - 1) the applicant can propose its own off-site mitigation project, which is verified by the District that the proposed project will result in an equivalent emission reduction identified by the mitigation measure, or
 - 2) the applicant can pay a mitigation fee, which is calculated based on the anticipated emission reduction and cost-effectiveness adopted by the District Board of Directors identified by the most current California Air Resources Board (CARB) Carl Moyer Program Guidance⁶.
- manage any received off-site mitigation funds under the Board’s approved “Land Use Air Quality Mitigation Funds Policy”⁷, to fund eligible emission reduction projects, with the District Board’s approval.

When an off-site mitigation measure is considered by lead agencies to offset the GHG emissions, the District shall:

- recommend that the mitigation measure should explicitly identify the anticipated emission reductions and the method to implement;
- recommend that the anticipated emission reductions from the mitigation measure implementation be calculated by one of the following methods;
 - 1) if the measure is applied as a feasible measure, the anticipated emission reduction shall be calculated based on the amount of emissions exceeding the thresholds for one year, or
 - 2) if the measure is applied to support a “less-than-significant” conclusion, the anticipated emission reduction shall be calculated based on the total amount of emissions exceeding the threshold for each year, until the year in which the project’s emissions will be equal to the threshold, or for a maximum of 20 years.
- recommend that the off-site mitigation measure for GHG emissions be implemented by one of the following methods:
 - 1) the applicant can propose its own off-site mitigation project which generates carbon credits equivalent to the anticipated emission reductions and is implemented by an approved protocol from California Air Pollution Control Officers Association (CAPCOA), California Air Resources Board, or other similar entities determined acceptable by the District, or

⁶ [California Air Resources Board’s Carl Moyer Memorial Air Quality Standards Attainment Program: http://www.arb.ca.gov/msprog/moyer/moyer.htm](http://www.arb.ca.gov/msprog/moyer/moyer.htm)

⁷ Policy of Land Use Air Quality Mitigation Funds was adopted by the PCAPCD Board in 2001 and amended in 2008. <http://www.placer.ca.gov/departments/air/landuseceqa>

2) the applicant can purchase carbon credits from the CAPCOA GHG Reduction Exchange Program⁸, American Carbon Registry (ACR), Climate Action Reserve (CAR), or other similar carbon credit registry as determined acceptable by the District.

- encourage the applicant to consider generating or purchasing local and California-only carbon credits as the preferred mechanism to implement the off-site mitigation measure for GHG emissions and facilitate the State to achieve the GHG emission reduction goal; and
- assist lead agencies with reviewing and verifying that the carbon credits, from either the proposed off-site mitigation projects or the purchase certification from the selected carbon credit registries, and ensure the credits are retired.

The Directive to maintain a CEQA Handbook

The District commits to maintain the CEQA Handbook, which shall:

- disclose the criteria and references used by District staff to evaluate and comment on air quality impacts from land use projects;
- include the identification of potential impacts, the feasible computer models used for evaluating air quality impacts, the recommended CEQA thresholds for criteria pollutants and GHG, the lists of considerable mitigation measures, and other tools and guidance developed by other public agencies which might be used by lead agencies within the CEQA process;
- provide updates on the latest modeling developments, results of recent legislation and court cases, updated guidance from state agencies, feasible mitigation measure developments, and local agency planning priorities; and
- enhance communication and coordination with lead agencies to identify areas for further improvement on the CEQA review process.

Board Adoption Date: October 13, 2016

Board Amendment Date: October 12, 2017

⁸ CAPCOA Greenhouse Gas Reduction Exchange (GHG Rx). <http://www.ghgrx.org/>