

To the Members of the California State Senate:

I am proud to sign Senate Bill 375. This legislation constitutes the most sweeping revision of land use policies since Governor Ronald Reagan signed the California Environmental Quality Act (CEQA) nearly four decades ago, and will provide much needed guidance to local planning agencies on transportation, housing and other land-use decisions necessary to meet our greenhouse gas reduction goals under AB 32.

I commend Senator Steinberg and the sponsors of this legislation for accomplishing the difficult task of bringing together disparate and competing interests in order to create the framework for an historic state-local partnership to meet the greatest environmental challenge of our time, global warming.

This bill once again puts California on the leading edge of climate change policy by instituting the nation's first policy to integrate four unsynchronized planning processes: land-use planning, transportation planning, housing development and reduction of greenhouse gas emissions. I am particularly pleased that this bill approaches the task with incentives rather than top-down regulatory mandates. If implemented as intended, this bill provides significant incentive in the form of a streamlined environmental review process under CEQA for certain residential and mixed-use housing projects that are consistent with regional plans to achieve greenhouse gas reduction targets.

By addressing greenhouse gas emissions in the aggregate from transportation projects, housing of all densities and other development projects, the "Sustainable Communities Strategy" (SCS) should also allow individual projects that are consistent with the regional plan to avoid conducting duplicative, project-specific CEQA greenhouse gas analysis and mitigation. While I strongly support the incentives provided to residential housing in the form of streamlined CEQA permitting, I believe the failure to extend those same incentives to all projects related to transportation, infrastructure, services and employment that are consistent with the regional plan fundamentally undermines the programmatic approach to land-use planning this bill hopes to achieve. The author has committed to address some of these issues in clean-up legislation as needed.

The sheer magnitude and complexity of this overhaul lends itself to drafting errors and oversights as the bill tries to integrate new, overarching regional requirements with existing

local, state and federal laws and regulations. Failure to properly integrate these layers of regulatory requirements could result in litigation, additional cost and delay in completing much needed transportation and housing projects that are already underway throughout the State. My administration will work with the author and sponsors of this legislation to ensure that clean-up legislation is drafted to address these issues in the next session.

Specifically, there are four areas that must be addressed:

Provide exemptions for voter-approved Proposition 1B Transportation Projects –

Although the clear intent of the author was to exempt all transportation projects funded through Proposition 1B, approved by the voters in 2006, ambiguous language in the bill may put at risk approximately \$5 billion in Prop 1B transportation projects throughout the state, including in Los Angeles, San Diego, Riverside, Orange and San Bernardino counties. Clean-up legislation is needed to clearly exempt all projects funded with Proposition 1B funds.

Expand CEQA streamlining to other projects that are consistent with a Sustainable

Communities Strategy – This bill wisely offers housing developers the ability to “opt out” of certain CEQA requirements in exchange for adhering to a preapproved “Sustainable Communities Strategy”. However, this bill only applies the benefits of compliance with an SCS to new residential construction, omitting most projects related to other infrastructure, retail and commercial development. This omission undermines the whole reason for the bill in the first place - implementing a comprehensive programmatic approach to land-use planning - and must be addressed.

Eliminate schedule conflicts with housing element updates and Regional Transportation

Plans (RTPs) – While the bill is intended to synchronize updates of housing elements in local government general plans and regional transportation plans (RTP), new and conflicting schedules are established with regard to the federal transportation planning schedule, federal air quality regulations, and existing deadlines for housing element updates and regional transportation plans. Without correction, confusion and litigation are likely to result. The Department of Housing and Community Development is already reporting that the provisions of the bill could invalidate the housing element of a city’s General Plan. This places the city at risk of losing access to federal and state housing funds, including funding approved by the voters in Proposition 1C. This was clearly not the intent of the author and these conflicting schedules must be addressed as quickly as possible.

Mitigation for impacts to the State Highway System – While the author did address a request to include the State Highway System (SHS) in the definition of the regional transportation network, follow-up legislation is needed to provide clarity of the requirement that projected impacts to the SHS by previously approved and new projects are required to mitigate for SHS impacts. Apparent inconsistency between this bill and current mitigation requirements provide broad potential for litigation that will hamper project delivery and potentially drain hundreds of millions of dollars from the State Highway Account, shifting mitigation costs that are now borne by project proponents to taxpayers.

I look forward to working with the author and all stakeholders in addressing these issues so that we can ensure the successful implementation of this bill and realize our greenhouse gas emission reduction goals.

Sincerely,

Arnold Schwarzenegger