



May 22, 2015

Hon. Mark Leno, Chair
Joint Legislative Budget Committee
Room 5100, State Capitol
Sacramento, California 95814

Dear Senator Leno:

On April 30, 2015, the Office of Planning and Research notified the Joint Legislative Budget Committee (JLBC) of the Governor's determination that the Golden State Warriors Event Center and Mixed Use Development at Mission Bay (Warriors Project) is eligible for the alternative California Environmental Quality Act (CEQA) review process authorized by Chapter 354, Statutes of 2011 (AB 900, Buchanan). Under AB 900, the JLBC has 30 days to concur or not concur with the Governor's determination. As we discuss below, we think the Warriors Project aligns with the intent of AB 900, and we recommend that you concur with the Governor's determination.

Background

Summary of AB 900. Assembly Bill 900 authorizes the Governor to review and certify submitted development projects for a streamlined judicial review process for CEQA compliance. This process, which was amended by Chapter 386, Statutes of 2013 (SB 743, Steinberg), is intended to allow projects to begin construction sooner by requiring that appeals related to the project's environmental impact report be resolved within 270 days. In order to qualify for AB 900's alternative CEQA process, a project must meet a series of criteria outlined in the statute. For example, any project under AB 900 must result in a minimum investment of \$100 million, create high-wage jobs, and not result in net additional greenhouse gas (GHG) emissions, as determined by the California Air Resources Board (ARB). Additionally, a residential, retail, commercial, or entertainment project—such as the proposed project—must meet additional requirements. Specifically, it must be located on an infill site, be designed to achieve Leadership in Energy & Environmental Design (LEED) silver certification, be consistent with the relevant regional sustainable communities strategy (SCS), and exceed by at least 10 percent the transportation efficiency for comparable projects.

Description of Proposed Project. The proposed Warriors Project is a mixed-use infill project that includes 750,000 square feet of event center space, 605,000 square feet of office space, and 125,000 square feet of retail space. The project is proposed to be constructed on a roughly 11-acre site in the Mission Bay region of the city of San Francisco. The lead agency for the project is the city of San Francisco.

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Analyst's Comments

The Governor certified that the Warriors Project meets AB 900's requirements and has provided supporting information to the JLBC. After reviewing these materials, we find that the project clearly meets many of the criteria set out in AB 900. In particular, the project applicant has provided documentation supporting that it has received a determination from ARB that it will not result in any net additional GHG emissions, is on an infill site, and will be designed to achieve at least a LEED silver certification. Additionally, we find that this project will result in at least \$100 million of investment given that other recent California basketball stadium projects have reportedly cost at least several hundred million dollars.

We note, however, that some of the criteria in AB 900—job creation, SCS consistency, and transportation efficiency—are not clearly defined in the statute. As a result, while we believe the project is consistent with these requirements based on our interpretation of AB 900, it is possible that different reviewers could reach different conclusions. Thus, we discuss our understanding of these criteria and their application to this project below.

Job Creation. One condition of eligibility for the alternative CEQA process under AB 900 is that the “project creates high-wage, highly skilled jobs that pay prevailing wages and living wages and provide construction jobs and permanent jobs for Californians, and helps reduce unemployment.” This provision contains some requirements that the proposed project clearly meets. For example, the project will create construction jobs and the applicant has committed to paying prevailing wages. Additionally, the project will generate permanent jobs as a result of the operation of the new retail, office, and event center space. There is more uncertainty, however, regarding how to interpret the requirement that the project will help reduce unemployment. While the project will generate construction and permanent jobs at the project site, it is not clear how many of these jobs would be offset by job displacements at the existing Oracle Arena in Oakland where the Warriors currently play or in other areas of the state. Thus, while it is likely that the project will reduce near-term unemployment in San Francisco, it is less clear how the project will affect longer-term unemployment in the region or state.

SCS. Another condition of eligibility for the alternative CEQA process is that the project be consistent with the SCS covering the relevant region. In this case, the applicable SCS is the Association of Bay Area Governments' (ABAG) regional plan called *Plan Bay Area*. Since AB 900 provides limited guidance on how to determine consistency with the SCS, we interpret the statute as requiring that the project provide a reasonable justification for its consistency. The ABAG's *Plan Bay Area* identifies Mission Bay as a priority development area. The plan projects that the Mission Bay region will accommodate additional office, retail, and entertainment uses and will accommodate more than 20,000 additional jobs by 2040. Thus, this project appears to be in keeping with the type of development that is anticipated as part of the plan.

Transportation Efficiency. An additional condition for CEQA streamlining under AB 900 is that the project meet a 10 percent greater standard for transportation efficiency, meaning that the average number of vehicle trips by employees and visitors must be 10 percent less than that of a comparable facility. Assembly Bill 900 does not specify what data to use in measuring whether a project meets this level of transportation efficiency improvement or define the type of projects that should be the basis of comparison. Accordingly, consistent with our office's past practice,

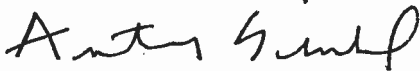
we interpret this requirement to mean that the project must present a reasonable plan for achieving greater transportation efficiency than similar developments. The applicant proposes to implement a Transportation Service Plan in collaboration with the San Francisco Municipal Transportation Agency to augment public transit during events. The project applicant also proposes to implement various travel demand management programs. The project applicant estimates that these activities will enable it to reduce vehicle trips by more than the required 10 percent reduction. We believe this represents a reasonable plan to reduce vehicle trips relative to other similar projects and thus aligns with AB 900's intent for greater transportation efficiency.

Conclusion

In view of the above, we think the Warriors Project aligns with the intent of AB 900 and therefore recommend you concur with the Governor's determination.

If you have any questions about this analysis, please contact Helen Kerstein of my staff at (916) 319-8364 or Helen.Kerstein@lao.ca.gov.

Sincerely,



Anthony Simbol
Deputy Legislative Analyst

cc: Members of the Joint Legislative Budget Committee