

DATE: April 30, 2007

TO: SJVUAPCD Governing Board

FROM: Seyed Sadredin, Executive Director/APCO
Project Coordinator: Arnaud Marjollet

RE: **RECEIVE AND FILE THE 2007 ANNUAL REPORT
ON THE DISTRICT'S INDIRECT SOURCE REVIEW
PROGRAM**

RECOMMENDATION:

Receive and file the 2007 Annual Report on the District's Indirect Source Review Program for the period March 1, 2006 to February 28, 2007 (see Attachment A). Authorize District staff to make the report available to the public.

BACKGROUND:

District Rule 9510, Indirect Source Review (ISR), is an innovative, first-of-its-kind program adopted by the District's Board to significantly reduce the impacts of growth in emissions resulting from new land development in the San Joaquin Valley. This report was prepared pursuant to provisions of Rule 9510 that require the District to prepare an annual report regarding expenditure of funds received and emission reductions achieved through implementation of the ISR program.

DISCUSSION:

District Rule 9510 applies to new development projects that emit emissions of at least two tons NO_x or two tons PM₁₀ per year. The rule contains provisions exempting traditional stationary source projects. Developers of projects subject to Rule 9510 are required to reduce emissions occurring during construction and operational phases. If a developer cannot achieve the required emission reductions through onsite measures, the rule provides a mechanism by which the developer can pay an offsite mitigation fee

to the District. One hundred percent of all offsite mitigation fees received by the District are used by the District's existing Emission Reduction Incentive Program (ERIP) to fund emission reduction projects, achieving emission reductions in behalf of the project. Additionally, if a project is subject to off-site emission reduction fees, the developer is required to pay an administrative fee equal to four percent (4%) of the required off-site fees. This fee is to cover the District's cost of administering the off-site emission reduction program.

Section III of this years report summarizes District Implementation of Rule 9510; Section IV summarizes funds received and expended, emission reductions realized, and overall cost-effectiveness of funded projects. Section V of the report provides a list of all emission reduction projects funded by the ISR program.

During the 2006-2007 annual reporting period, the District received off-site mitigation fees totaling \$12,917,976 and funded off-site emission reduction projects resulting in reduced emissions of NOx and PM10 within the District by 824.07 and 33.71 tons, respectively.

Attachment – 2007 Annual Report on the District's Indirect Source Review Program (10 pages)



**San Joaquin Valley
Air Pollution Control District**

**2007 Annual Report on the District's
Indirect Source Review Program**

**Reporting Period:
March 1, 2006 to February 28, 2007**

**SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT
GOVERNING BOARD 2007**

CHAIR: J. STEVEN WORTHLEY
Supervisor, Tulare County

VICE CHAIR: LEROY ORNELLAS
Supervisor, San Joaquin County

MEMBERS:

JON MCQUISTON
Supervisor, Kern County

JUDITH G. CASE
Supervisor, Fresno County

TONY BARBA
Supervisor, Kings County

MICHAEL G. NELSON
Supervisor, Merced County

RONN DOMINICI
Supervisor, Madera County

WILLIAM O'BRIEN
Supervisor, Stanislaus County

RAJI BRAR
Council Member, City of Arvin

HENRY T. PEREA
Council Member, City of Fresno

CHRIS VIERRA
Council Member, City of Ceres

AIR POLLUTION CONTROL OFFICER

SEYED SADREDIN

TABLE OF CONTENTS

	Page Number
I. EXECUTIVE SUMMARY	1
II. INTRODUCTION	1
III. IMPLEMENTATION	2
IV. 2006 – 2007 ANALYSIS.....	3
V. APPENDIX A – LIST OF FUNDED PROJECTS	5

I. EXECUTIVE SUMMARY

This “2007 Annual Report on the District’s Indirect Source Review Program” was prepared by your San Joaquin Valley Unified Air Pollution Control District. District Rule 9510, Indirect Source Review (ISR), was adopted by the District’s Board to reduce the impacts of growth in emissions resulting from new land development in the San Joaquin Valley. This report was prepared pursuant to provisions of Rule 9510 that require the District to prepare an annual report regarding expenditure of funds received and emission reductions achieved through implementation of the ISR program.

During the 2006-2007 annual reporting period, the District received off-site mitigation fees totaling \$12,917,976 and funded off-site emission reduction projects totaling \$9,549,668, leaving an unexpended balance of \$3,368,308. Approximately 50% of this unexpended balance is encumbered by known future projects that have yet to be implemented. Off-site emission reduction projects funded by the ISR program reduced emissions of NO_x and PM₁₀ within the District by 824.07 and 33.71 tons, respectively. The total reductions of NO_x plus PM₁₀ are 857.78 tons, resulting in an average cost effectiveness of \$11,133 per ton of reduced emissions.

II. INTRODUCTION

Population growth in the District increased by 22% between 1990 and 2000, and California’s Department of Finance has projected that the San Joaquin Valley Air Basin (SJVAB) will experience an overall increase in population of 24% between 2000 and 2010. Growth results in increased area source emissions from activities such as increased consumer product use, fuel combustion, and landscape maintenance. Concomitantly, growth results in an increase in the total vehicle miles traveled (VMT). The District experienced a 9% increase in VMT between 1999 and 2002, and expects to see a 27% increase in VMT from 2002 to 2010. The projected growth in these indirect source emissions erodes the benefits of emission reductions achieved through the District’s stationary source program and mobile source controls. The District has longstanding statutory authority to regulate indirect sources of air pollution. Pursuant to this authority, the District made a federally enforceable commitment to regulate indirect sources when it adopted its PM₁₀ Attainment Plan in June 2003. Subsequently, the California State Legislature passed Senate Bill 709, Florez, in the fall of 2003, which Governor Gray Davis subsequently signed and codified into the Health and Safety Code in §40604. This additional legislation required the District to adopt, by regulation, a schedule of fees to be assessed on area wide or indirect sources of emissions that are regulated by the District.

District Rule 9510 (Indirect Source Review) was adopted by the District’s Board on December 15, 2005, and became effective March 1, 2006. Rule 9510 was adopted by the District’s Board to reduce the impacts of growth in emissions resulting from new land development in the San Joaquin Valley. Although the rule does not directly regulate VMT, it is designed to regulate the air impacts associated with new

development. Rule 9510 applies to residential and non-residential development projects, including transportation and transit projects, which equal or exceed established applicability thresholds. Rule 9510 establishes emission reduction requirements for NOx and PM10 pollutants. Emission reductions required by the rule that are not achieved through on-site emission reduction measures are subject to off-site emission reduction fees. These fees are used by the District to fund emission reduction projects, mitigating the project's potential impact on air quality in the SJVAB.

This report was prepared pursuant to provisions of Rule 9510 that require the District to prepare an annual report regarding expenditure of received funds and achieved emission reductions. Pursuant to Rule 9520, Section 10.4, the annual report shall include the following:

- Total amount of Off-Site Fees received;
- Total monies spent;
- Total monies remaining;
- Any refunds distributed;
- A list of all projects funded;
- Total emissions reductions realized; and
- The overall cost-effectiveness factor for the projects funded.

III. IMPLEMENTATION

District Rule 9510 (Indirect Source Review)

District Rule 9510 applies to new development projects that emit emissions of at least two tons NOx or two tons PM10 per year. The rule contains provisions exempting traditional stationary source projects. Developers of projects subject to Rule 9510 are required to reduce emissions occurring during construction and operational phases. During construction, exhaust emissions of NOx and PM10 are to be reduced by 20% and 45% respectively, compared to the statewide average for construction equipment. Construction exhaust emissions can be reduced through installation and use of aftermarket devices, and through use of construction equipment that is newer than the statewide average. Operational emissions of NOx and PM10 are to be reduced by 33.3% and 50% respectively of the project's baseline for a period of 10 years. Operational emissions can be reduced by incorporating design elements that reduce onsite emissions, such as increased energy efficiency, proximity to local serving retail, and availability of public transportation. If a developer cannot achieve the required emission reductions through onsite measures, the rule provides a mechanism by which the developer can pay an offsite mitigation fee to the District.

One hundred percent of all offsite mitigation fees received by the District are used by the District's existing Emission Reduction Incentive Program (ERIP) to fund emission reduction projects, achieving emission reductions on behalf of the project. To recover the District's costs for administering the requirements of Rule 9510, on December 15,

2005, the District's Board adopted Rule 3180 (Administrative Fees for Indirect Source Review). Provisions of Rule 3180 establish an application filing fee structure of \$400 for residential and \$600 for non-residential projects. Additionally, if a project is subject to off-site emission reduction fees, the developer is required to pay an administrative fee equal to four percent (4%) of the required off-site fees. This fee is to cover the District's cost of administering the off-site emission reduction program.

Development Mitigation Contracts

A Development Mitigation Contract (DMC) is an air quality mitigation measure by which a developer voluntarily enters into a contractual agreement with the District to reduce a development project's impact on air quality beyond that achieved by compliance with District Rule 9510. By fully mitigating the project's impact on air quality, a developer can address one of the issues that have led to California Environmental Quality Act (CEQA) legal challenges to development projects within the SJVAB.

Implementation of a DMC is comparable to ISR; project emissions are characterized, funds are paid to the District, the District administers the funds to secure the required emission reduction projects. A prerequisite for the District to enter into a DMC is that the DMC will exceed the air quality benefits achieved by compliance with Rule 9510. Therefore, developers who enter into a DMC are considered in compliance with District Rule 9510. This report therefore includes revenues and emission reductions resulting from DMCs.

IV. 2006 – 2007 ANALYSIS

Table-1: Summary of ISR Program for 2006 to 2007

		<i>Total</i>		
Total Application Fees received	\$	56,051		
Total Administrative Fees received	\$	515,295		
Total Amount Off-Site Fees received	\$	12,917,976		
Total Fees received	\$	13,489,322		
Total Amount spent	\$	9,549,668		
Total Amount remaining (balance)	\$	3,368,308		
Total Amount refunded	\$	0		
Emission Reductions Cost Effectiveness <i>(average based on projects funded)</i>	<i>\$/Ton</i>	11,133		
		<i>NOx</i>	<i>PM10</i>	<i>Total</i>
Total Emissions Reduction realized	<i>Tons</i>	824.07	33.71	857.78

Total Application Fees Received

District Rule 3180 (Administrative Fees for Indirect Source Review) establishes application fees of \$400 and \$600 respectively for non-residential ISR applications. The District may also charge for additional staff time required to process an application. As presented in Table-1, the District received application fees totaling \$56,051.

Total Administrative Fees Received

District Rule 3180 (Administrative Fees for Indirect Source Review) establishes a four percent (4%) administrative fee to cover the District's costs of operating an off-site emissions reduction program. As presented in Table-1, the District received administrative fees totaling \$515,295.

Total Amount of Off-site Fees Received

Provisions within Rule 9510 allow applicants to defer payment of off-site mitigation fees. The payment schedule must provide assurance that reductions from off-site emission reduction projects can be obtained reasonably contemporaneous with emission increases associated with the project. As presented in Table-1, the District received off-site fees totaling \$12,917,976. This total does not include fees that have been deferred, nor does it include payments that have been invoiced, but not yet received.

Total Expenditure of Off-site Fees Received

The District uses off-site fees to fund quantifiable and enforceable off-site emission reduction projects, reducing surplus emissions of NO_x and PM₁₀. As presented in Table-1, funds totaling of \$9,549,668 have been spent, leaving a balance of \$3,368,308.

Total Emission Reduction Realized

The District funded 88 projects, reducing emissions from a total of 362 sources. These projects consisted primarily of re-powering diesel agricultural irrigation pumps, either with cleaner diesel engines or by conversion to electric motors. The projects achieved total emission reductions of 824.07 tons NO_x and 33.71 tons of PM₁₀. The same projects also reduced emissions of reactive organic gases (ROG) by 94.99 tons. A complete list of all projects funded is presented in Appendix A.

Overall Cost-effectiveness of Funded Projects

Average overall cost-effectiveness was calculated based on total tons of emissions reduced, NO_x plus PM₁₀, divided by total funds spent. As presented in Table-1, average cost-effectiveness is calculated to be \$11,133 dollars per ton.

V. APPENDIX A – LIST OF ALL PROJECTS FUNDED

A list of all emission reduction projects funded by the ISR program is attached.

Appendix A: 2006 ISR Emission Reduction Projects

	FundName	Project Name	Number of Emissions Sources	NOx (tons)	PM (tons)	ROG (tons)
	DMC - Castle & Cooke/Gosford Village	Kenai Drilling Limited	8	58.56	2.11	6.99
Funded Projects	1	Project Totals	8	58.56	2.11	6.99
	DMC - Castle & Cooke/West Ming Proj	J.G. Boswell Company	13	47.69	1.69	5.69
	DMC - Castle & Cooke/West Ming Proj	La Carota Farms, Inc	2	2.16	0.06	0.28
	DMC - Castle & Cooke/West Ming Proj	Progress Farms	7	38.48	1.42	4.67
	DMC - Castle & Cooke/West Ming Proj	Bellanave	6	14.01	0.35	1.58
	DMC - Castle & Cooke/West Ming Proj	D & M Sprayers	1	0.61	0.03	0.09
	DMC - Castle & Cooke/West Ming Proj	D & M Sprayers	1	0.67	0.03	0.11
	DMC - Castle & Cooke/West Ming Proj	Key Farm	1	3.5	0.12	0.4
	DMC - Castle & Cooke/West Ming Proj	Sweet Oil Tool Rental, Inc	4	3.61	0.16	0.53
	DMC - Castle & Cooke/West Ming Proj	Zim Industries, Inc.	5	5.28	0.25	0.88
	DMC - Castle & Cooke/West Ming Proj	Palla Rosa Farms	1	6.62	0.21	0.88
Funded Projects	10	Project Total	41	122.63	4.32	15.11
	DMC - Panama 99 Prop. LLC/HWY 99	J.G. Boswell Company	12	50.83	1.81	5.96
	DMC - Panama 99 Prop. LLC/HWY 99	C & H Testing Service, Inc.	1	1.49	0.06	0.17
	DMC - Panama 99 Prop. LLC/HWY 99	Malcom Drilling Co., Inc	4	10.6	0.42	1.36
	DMC - Panama 99 Prop. LLC/HWY 99	Mitch Brown Construction Inc.	1	3.04	0.12	0.36
	DMC - Panama 99 Prop. LLC/HWY 99	S & S Farm Service	4	17.84	0.65	2.1
	DMC - Panama 99 Prop. LLC/HWY 99	Excalibur Well Services	2	5.39	0.23	0.69
Funded Projects	6	Project Total	24	89.19	3.29	10.64
	DMC-Castle & Cooke/Gateway Village	J.G. Boswell Company	35	105.08	2.89	10.71
	DMC-Castle & Cooke/Gateway Village	OPC Farms, Inc.	46	131.51	4.75	17.27
Funded Projects	2	Project Total	81	236.59	7.64	27.98
	DMC - Old River Ranch	Campos Land Company	1	1.28	0	0.09
	DMC - Old River Ranch	Campos Brothers Farms	24	33.53	0.4	2.69
	DMC - Old River Ranch	Campos Brothers Farms	10	16.77	0.04	0.96
	DMC - Old River Ranch	Esajian Lands	1	2.19	0.01	0.16
	DMC - Old River Ranch	JDS Farms	3	1.92	0	0
	DMC - Old River Ranch	Setton Equities LLC	1	6.16	0.21	0.68
	DMC - Old River Ranch	California Pistachio LLC	2	1.18	0.02	0.04
	DMC - Old River Ranch	Brockman Farming Inc.	1	1.24	0.06	0.18
	DMC - Old River Ranch	Denis and Terri Prosperi	1	1.16	0.04	0.15
	DMC - Old River Ranch	NK Development	1	3.4	0.12	0.41
	DMC - Old River Ranch	Andrew Farms Inc.	8	7.97	0.16	0.89
	DMC - Old River Ranch	Philip Verwey Farms	5	6.11	0.01	0.43
	DMC - Old River Ranch	Redtop Jerseys LLC	3	6.71	0.15	0.54
	DMC - Old River Ranch	Pleasant Valley Pistachio, LLC	1	0.74	-0.01	0
	DMC - Old River Ranch	Devine & Wood Farming	2	8.46	0.03	0.6
	DMC - Old River Ranch	Assemi & Sons Inc.	1	1.16	0	0.08
	DMC - Old River Ranch	Errotabere Ranch	1	1.81	0.04	0.06
	DMC - Old River Ranch	Triangle T Ranch, Inc.	3	8.09	0.33	1.19
	DMC - Old River Ranch	Zonneveld Dairies, Inc.	1	1.21	0.01	0.09
	DMC - Old River Ranch	Kazarian Farms III	1	0.22	0.02	0.09
	DMC - Old River Ranch	Ellen Vineyards	1	0.52	0.02	0.08
	DMC - Old River Ranch	Bettencourt Farms	1	0.77	0	0.05
	DMC - Old River Ranch	DLM Partners	13	24.13	0.85	3.39
	DMC - Old River Ranch	Santa Fe Farms	8	8.8	0.21	1
	DMC - Old River Ranch	Den-Mar Farms	1	1.52	0.07	0.24
	DMC - Old River Ranch	John Yakligian	1	1.47	0.05	0.17
	DMC - Old River Ranch	Ralph Serpa & Sons, Inc.	8	4.96	0.08	0.1
	DMC - Old River Ranch	Nindy Sandhu	1	0.42	0.03	0.08
	DMC - Old River Ranch	Pixley Almond Ranch, LLC	4	5.87	0	0.35
	DMC - Old River Ranch	S & J Ranch, LLC	1	0.37	0.01	0.04

	FundName	Project Name	Number of Emissions Sources	NOx (tons)	PM (tons)	ROG (tons)
	DMC - Old River Ranch	Georgeson Diary	1	1.88	0.01	0.16
	DMC - Old River Ranch	Robert Stewart	1	3.98	0.12	0.53
	DMC - Old River Ranch	Gomes Farms	4	9.83	0.06	0.69
	DMC - Old River Ranch	Hunter Farms	6	10.66	0.12	0.98
	DMC - Old River Ranch	Luis Dairy	1	1.25	0.01	0.05
	DMC - Old River Ranch	David Verdegaal Farming Inc.	1	1.33	0.05	0.07
	DMC - Old River Ranch	Edrington Ranch	1	0.3	0.01	0.03
	DMC - Old River Ranch	Larry Woltjer	1	0.6	0.02	0.07
	DMC - Old River Ranch	Furey Farming	1	0.28	0	0.01
	DMC - Old River Ranch	Anselmo Souza Dairy	1	0.52	0.02	0.08
	DMC - Old River Ranch	Van Elderen Brothers	1	0.62	0.02	0.08
	DMC - Old River Ranch	Nick Bellino	1	0.83	0.03	0.09
	DMC - Old River Ranch	Crystal Organic Farms, LLC	1	1.84	0	0.13
	DMC - Old River Ranch	Lederhos Farms	1	0.4	0.02	0.02
	DMC - Old River Ranch	Golden Empire Equip., Inc.	1	5.09	0.21	0.77
	DMC - Old River Ranch	Kosareff Farms	6	1.98	-0.06	0
	DMC - Old River Ranch	Pacific Perforating, Inc.	1	3.92	0.19	0.64
	DMC - Old River Ranch	Grimmway Enterprises, Inc.	28	17.19	0.63	2.24
	DMC - Old River Ranch	Grimmway Enterprises, Inc.	1	0.08	0.02	0.04
	DMC - Old River Ranch	Grimmway Enterprises, Inc.	1	0.88	0.03	0.12
	DMC - Old River Ranch	Ana Belle Farms, LLC	2	2.69	8.58	0.79
	DMC - Old River Ranch	J & W Farming	3	9.46	0.24	1.1
	DMC - Old River Ranch	Bonanza Farms	3	5.42	-0.01	0.22
	DMC - Old River Ranch	Rod Steifvater	1	0.63	0.03	0.1
	DMC - Old River Ranch	Wilson Ag	1	1.19	0	0.09
	DMC - Old River Ranch	Bakersfield Cold and Dry Storage	4	2.22	0.07	0.16
	DMC - Old River Ranch	Layshot Farms	2	2.74	0	0.04
	DMC - Old River Ranch	Snyder Farms	1	0.73	0.03	0.08
	DMC - Old River Ranch	Fairway Farms	1	0.4	0.01	0.05
	DMC - Old River Ranch	John V. Lorenzo	1	0.89	0.03	0.05
	DMC - Old River Ranch	Harley Virgil Cotter	2	4.41	0.2	0.72
	DMC - Old River Ranch	Sidhu Farms	1	4.92	0.18	0.56
	DMC - Old River Ranch	Vintage Nurseries LLC	1	2.3	0.08	0.26
Funded Projects	63	Project Total	193	261.6	13.91	25.85
	DMC - Tejon Ranch	OPC Farms, Inc.	4	13.86	1	2.17
	DMC - Tejon Ranch	Wm. Bolthouse Farms	2	10.78	0	1.54
	DMC - Tejon Ranch	Kirschenman Enterprises, Inc.	1	2.42	0	0.46
	DMC - Tejon Ranch	Whitten Pump, Inc	6	20.29	1	3.06
	DMC - Tejon Ranch	Sun-Gro Commodities, Inc	1	4.21	0	0.7
	DMC - Tejon Ranch	Zim Industries, Inc.	1	3.94	0	0.49
Funded Projects	6	Project Total	15	55.5	2.44	8.42

Total Number of Funded Projects:	88
Total Number of Emission Sources:	362
Total NOx Reduction (tons):	824.07
Total PM10 Reduction (tons):	33.71
Total ROG Reduction (tons):	94.99