

Smog and mirrors: On world's climate stage, Sacramento chases electric vehicle market and a new economic identity

City leaders want to leverage historic Volkswagen fine into a new automotive industry

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An array of touch-screen lights flicker to life.

The seat belt clicks and the driver's seat drifts into place. As the pedal eases down, a wave of invisible electric torque floats the car forward without a sound. After rounding the block, Jerry Kaplan glided his hydrogen-powered Toyota Mirai to a stop.

Along with a dozen other alternative-fuel cars, the one with a Japanese name meaning "the future" was brought to the Capitol that April 19 to offer test drives and convince the public they were worth buying.

The AltCar Expo was billed as the largest collection of electric cars ever assembled. During the showy event, state Senate leader Kevin de León referenced the range of buyers' options, saying that climate change can, in fact, be profitable.

On the same day, at the Golden 1 Center, Mayor Darrell Steinberg promoted a different aspect of the evolving automotive industry—one which, he believes, might turn Sacramento from a government town into a world-class city of tomorrow.

It was the first press conference of the Autonomous Transportation Open Standards Lab. A consortium including state and local political leaders and, prominently, King's owner and tech



Jerry Kaplan brought his hydrogen-fueled Toyota Mirai to the AltCar Expo in Sacramento this April as part of the state's push to increase zero-emission vehicles.

multimillionaire Vivek Ranadivé, ATOS aims to help automakers speed up the development of driverless cars—and base that work in Sacramento.

“[Sacramento] is the perfect petri dish to not only test this technology, but to show how it can be brought to scale,” Steinberg told reporters as Rep. Doris Matsui and Ranadivé sat nearby.

“Under Darrell, Sacramento will be the next great American city,” Ranadivé later proclaimed.

Local leaders are pushing hard to turn Sacramento into Detroit 3.0—i.e., an industry town for manufacturers of future-tech vehicles. While couching their ambitions in the context of climate change, elected representatives and business interests appear to be motivated by more than social conscience.

Bruised by past industry slights from the likes of Tesla and eager to cash in on the Volkswagen scandal, the city that launched some of the country’s first railroads in the 1800s may again herald a new era of transportation. Yet it remains uncertain how much the auto industry might profit from a new market of vehicles, promoted as eco-friendly and subsidized by taxpayers, or what it will mean to public transportation if that future is embraced.

So is environmental stewardship or world-class ambition driving Sacramento’s lobbying efforts—and can it be both?

“We’ve got a lot of room to grow our economy,” Steinberg said at a City Council meeting last week. “And we are primed.”

More than a dozen Los Angeles supporters packed into Riverside County’s government center in March, outnumbering the advocates from other cities across the state, all of whom were there to jockey for tens of millions of dollars in schadenfreude capital.

After being caught cheating on emissions tests by the California Air Resources Board, German car company Volkswagen committed \$2 billion in reparations, the largest fine of its kind. The money will be doled out in \$300 million increments until 2026, to be spent on electric-charging infrastructure nationwide and increasing access to zero-emission vehicles, or ZEV, in California.

Called the Green City program, the latter initiative promised \$44 million in electric-charging infrastructure and car-sharing programs to the California city with the best proposal.

That’s what brought dozens of political stakeholders to the Riverside County building, where the California Air Resources Board weighed their pitches. But VW had already made its preference known—it wanted Sacramento to get the money.

Having been chastised for its misdeeds, VW is using its legal troubles as a springboard for a new market. It created a private subsidiary, Electrify America, to act as the bank for the Green City initiative that CARB is administering.

For Electrify America, the initiative is a profit-minded enterprise to be sustained by a new generation of eco-conscious consumers. A major advertising campaign is also planned to encourage people to buy electric vehicles, which haven't fully caught on due to issues of range and cost.

Meanwhile, VW stated in its investment plan to CARB that it wanted Sacramento to be awarded the first chunk of Green City funding. But the decision is still up to CARB, and other city representatives were not backing down.

Addressing the CARB board, Sacramento Assistant City Manager John Dangberg highlighted the city's cozy grid, nearness to state policymakers and abundance of low-income communities as the reasons Sacramento should be awarded the money. He also said Sacramento would be the perfect test case for future Green City locales.

"This would be a transformative opportunity for the city of Sacramento and our community," Dangberg added. "This investment in Sacramento will catalyze the advancement and use of ZEV technologies in a way that's rapidly scalable and transferable to other areas."

But representatives from the Central Valley and Los Angeles area contested that logic, telling the CARB board that their lower income communities are harder hit by air pollution and therefore worthier of immediate investment.

"I personally love the city of Sacramento—it's wonderful—but we all know that is not where the need is," said Genevieve Gale of the Central Valley Air Quality Coalition in Fresno.

After the meeting, Gale told SN&R that air pollution accumulates farther south, increased by dairies, power plants, biomass incinerators, and oil and gas fields.

While the CARB meeting ended without a decision, the consensus was that Sacramento had all but secured the first wave of VW money. A later report detailing how 35 percent of the initiative would help disadvantaged residents again listed Sacramento as the top choice.

Hasan Ikhata, director of the Southern California Association of Governments, told SN&R that Sacramento's geographic smallness made the choice easy. His organization represents 191 cities and pitched Los Angeles as having greater environmental needs, as well as providing the perfect stage to launch electric vehicles just before the 2024 Olympics in LA.

"Sacramento didn't have to push anything to be chosen," Ikhata said. "We're very conscious of the fact that SoCal got less than our fair share."

Louis Stewart said it's time Sacramento became “more than a government town.”

The city's newly-anointed chief innovation officer has been commuting to the bay to convince companies to move to the river city. On top of that, his office has organized grants to spur entrepreneurs and artists, and is moving the ATOS initiative forward.

“Will there be another Silicon Valley? No. Does Sacramento need to operate on a global level? Yes,” Stewart said.

But will these efforts help the environment? ATOS will work with companies that mostly deal in electric autonomous vehicles, Stewart said. A bill by state Sen. Nancy Skinner would have required self-driving cars to produce zero emissions, but was held up in committee for further study.

In a city with the eighth-worst air in the nation, according to the American Lung Association, curbing greenhouse-gas emissions isn't just good messaging, especially in low-income communities that feel the greatest impact.

While Sacramento pledged to use some Green City funds to shuttle homeless people to services and connect low-income workers to transit, economic branding appears to be driving local efforts to remake the city into an attractive industry hub.

Stewart hails from the economic development world in the governor's office. So does Barry Broome, president and CEO of the Greater Sacramento Economic Council. Broome is pushing for an industry-led research center, which would require a \$50 million private investment to get built. At least one German company has committed \$1 million, Broome says, though he was unwilling to reveal its identity because the project is pending.

Broome added that the city could become a new hub for high-tech manufacturing near the airport, drawing a new industry of electric vehicle manufacturers and thousands of jobs with it.

That's different from what happened in 2014, when Tesla chose not to build a “gigafactory” for batteries there. Nevada gave the company \$1.25 billion in tax breaks over 20 years to entice it to move to Sparks, along with a speedy permitting and regulatory process. It now employs more than 1,000 people.

Sacramento also lost out on Atieva last year for similar reasons. The Silicon Valley start-up, backed by a Chinese billionaire and looking to compete with Tesla, instead moved to Arizona.

Broome, whose job used to be attracting businesses to Phoenix, Ariz., says Sacramento has to do everything it can to court these kinds of companies. He advocates building a research park.

John Boyd, a New Jersey consultant who helps corporations choose where to move to, says a Green City designation would be a huge step forward in Sacramento's branding efforts.

“The significance of being first out of the gate, ahead of LA, has incalculable PR value,” Boyd said. “The electric vehicle industry is in its infancy. This placemaking is an opportunity to remind executives why the market is attractive with lower costs, proximity to policy and Silicon Valley and a large amount of tech workers.”

Boyd added there was untold real estate potential for Sacramento, already the hottest market in the state, if autonomous vehicles eliminate the need for parking.

CARB’s final say on the Green City funds could come this week. Meanwhile, the city is moving forward with pilot projects to create curbside charging stations and car sharing within low-income communities in partnership with the state.

At a July 18 City Council meeting, Sacramento leaders discussed the development of their electric vehicle infrastructure. They were also already thinking about how they would spend the VW money, which could bring up to 600 zero-emission vehicles and another 100 electric shuttles to the city.

“This is the future and we either get in front of it, or behind it,” Steinberg said. “As we invest in these technologies, let’s not forget we have a great opportunity to establish an economic job-creation center around alternative fuels in Sacramento.”