

R-19J

William F. Abolt, Commissioner
City of Chicago
Department of Environment
30 North LaSalle Suite 2500
Chicago, Illinois 60602

Dear Mr. Abolt:

The purpose of this letter is to formally select the Metropolitan Chicago Regional Air Quality and Economic Development Strategy proposal as a potential community XL pilot project. While this letter does not represent final United States Environmental Protection Agency (USEPA) approval, we believe the proposal has significant merit and deserves to be further developed as a proposed Final Project Agreement (FPA). The USEPA is prepared to work with you, the Illinois Environmental Protection Agency (Illinois EPA) and appropriate stakeholders to develop the project.

In order to obtain the regulatory flexibility necessary to achieve the enhanced environmental results described in your proposal, we must address the following key elements in the development of a draft FPA.

- a. Defining Smart Growth Zones.** During the FPA development, we will need to define the areas or specific criteria for these zones in consultation with the Illinois EPA and other stakeholders.
- b. Scope of Project.** In the development of a draft FPA, we must address potential geographic coverage of the areas to be designated as smart growth zones.
- c. Percentage of Emissions Reductions Retired.** The proposal indicates that 40 percent of the reductions generated would be retired prior to use. It is unclear at this time whether this is the appropriate reduction. The percentage of

retired emissions reductions may require an adjustment based on the type of emission reduction activities and discussions with Illinois EPA and other stakeholders.

d. Tracking and Quantifying Emission Reductions. Before implementation of this project, a structure must be in place to track and quantify emissions increases and reductions that will occur. Completion of the FPA may proceed prior to finalization of the tracking system, but implementation of the project would be contingent on an acceptable system being in place. USEPA and Illinois EPA will need to agree on the methodology and structure of the tracking system. This is important to assure the integrity of the growth allowance. This process should be publicly accessible and the Illinois EPA should be highly involved.

e. Stakeholder Involvement. It is essential that the Chicago Department of Environment (Chicago DOE) provide to USEPA, as soon as possible, a stakeholder involvement plan that explains its commitment and specific plans for stakeholder involvement. Stakeholder involvement must be provided for during the FPA development phase and during development and implementation of the specific emissions reduction projects.

f. Environmental Justice/Community Concerns. While this project will result in overall emissions reductions in the region, the more local impact of a business locating in a given smart growth zone is not clear at this time. USEPA will work with Chicago DOE, Illinois EPA and other interested parties to address these concerns.

Should the FPA be signed, the project will become an official community XL Pilot Project. If I can be of any assistance in expediting the development and review of the Final Project Agreement, please do not hesitate to call me, or contact Steve Marquardt, of my staff, at (312)353-3214.

Sincerely,

/s/

Francis X. Lyons
Regional Administrator

cc: Thomas V. Skinner, Director, Illinois EPA
Dennis Lawler, Division Manager, Illinois EPA