TO: MTC Planning Committee, ABAG Administrative Committee DATE: June 7, 2013

FR: Executive Director, MTC
Executive Director, ABAG

RE: **Draft Plan Bay Area – Key Issues and Preliminary Recommendations**

MTC/ABAG received a large volume of written comments from public agencies, stakeholder organizations, and members of the public during the comment period for Draft Plan Bay Area in addition to oral comments received at public hearings. This memo provides staff's recommendations for: (1) potential revisions to the Draft Plan in advance of the adoption of the Final Plan and Final EIR on July 18, 2013 and (2) Plan implementation-related issues identified in the comment period that staff believes would serve to advance successful implementation of Plan Bay Area. Staff is seeking committee direction on these recommendations.

Cap and Trade Revenue in the Investment Strategy
The Draft Plan does not account for revenue from Cap and Trade that the region may be granted to administer by the Legislature. These revenues will be available starting in 2015 and the program is currently set to expire in 2020. State legislation has not yet been enacted to establish a framework for how these funds will be administered by state and regional agencies and what types of projects would be eligible. However, AB 574 (Lowenthal) includes eligible uses for transportation and affordable transit-oriented development consistent with the investment strategies proposed in the Draft Plan Bay Area. Staff recommends that the Plan revenue estimates be revised to include $120 million per year over the life of the Plan, for a total of $3.1 billion. This estimate assumes that the program will be extended after 2020, similar to the Plan's assumption that existing county sales tax measures will be extended by voters before they expire.

Corrections/Clarifications
In some cases, comments about Draft Plan Bay Area encompass information and statements regarding the purpose and intent of the Plan and/or implementing authority of MTC/ABAG that require clarification prior to discussion about potential changes to the Plan:

> **Statement: *"Plan Bay Area usurps local land-use authority"***
> Correction: Per Senate Bill 375, "Nothing in a Sustainable Communities Strategy shall be interpreted as superseding the exercise of the land use authorities within the region." Plan Bay Area does not regulate local land use authority or preclude a local jurisdiction from planning or approving growth that is different than the level or location of growth described in the Plan.

Statement: ***"All transportation funding is being shifted to the urban core because of the Plan"***
Correction: In Plan Bay Area, MTC continues its long-standing Fix-It-First Policy by dedicating 88% of the plan's $289 billion in funding to maintaining the region's existing transportation system across our urban, suburban, and rural communities. The vast majority of these maintenance funds flow by formula or long-established policy to the region's transit operators and local governments, which is unaffected by any changes in Plan Bay Area. The Draft Plan invests 5% of total revenue ($14.6 billion) in the new One Bay Area Grant Program which supports focused growth by requiring that 70% (Central and South Bay) or 50% (North Bay) of program funding is invested in or proximate to Priority Development Areas.

Statement: ***"The Draft Plan puts 95% of housing growth into 15 cities with PDAs"***
Correction: The Draft Plan directs 64% of housing growth to the region's top 15 employment centers. The Draft Plan directs 62% of housing growth to the region's 15 largest cities.

Statement: ***"The Environmental Impact Report (EIR) does not adequately address the impacts of individual projects."***
Correction: Any transportation project or development proposal in the region will face more public review and, if applicable, will be subject to additional project-level CEQA review before being approved at the local level. The Plan's EIR is a programmatic review of the plan itself.

Statement: ***"The EEJ scenario significantly outperforms the Draft Plan."***
Correction: CEQA requires lead agencies to identify the environmentally superior alternative. The EEJ alternative developed as part of the Draft Environmental Impact Report was determined to be the environmentally superior alternative, predominantly due to slightly greater Greenhouse Gas (GHG) and Toxic Air Contaminant (TAC) emission reductions than the proposed project, the Draft Plan. However the overall differences in environmental impacts are minimal at the regional scale and in some respects the proposed Plan performs better than the EEJ alternative.

Statement: ***"The Plan should focus on technological advancements that result in more sweeping reductions in greenhouse gas emissions than land-use changes and public transit that people do not want."***
Correction: SB375 calls for the development of a Sustainable Communities Strategy (SCS) as part of Regional Transportation Plans in California to reduce per capita greenhouse gas emissions from automobiles and light trucks through integrated land use and transportation planning and to identify locations for a region's future housing growth. The purpose of the SCS is to provide a tool for regional governing bodies, such as MTC and ABAG, to meet CARB's GHG reduction targets specific to the land use and transportation planning sector. The land use and transportation planning sector accounts for a small portion of overall Scoping Plan GHG reductions, but it is still an important contribution to the State's GHG emissions reduction efforts and is entirely separate and

in addition to other Scoping Plan measures, such as vehicle efficiency and clean fuel technologies. In meeting GHG emissions reduction targets for the land use and transportation sectors, MTC and ABAG must follow CARB direction to exclude regulation-driven changes to vehicle fuels and performance from our modeling in meeting SB375 emission targets. The plan does support and assume technology changes and other advancements to reduce green gas emissions within the requirements of the law.

Key Issues and Policy Alternatives

A number of key issues and policy alternatives were identified and highlighted by various entities and individuals during the Draft Plan Bay Area comment period. Staff has prepared analysis and developed recommendations about the following issues for your consideration, as outlined in Attachments A-F:

- Regional Population and Housing Forecast (Attachment A)
- Housing Redistribution to Suburban Locations (Attachment B)
- Affordable Housing (Attachment C)
- Reducing Potential Risk of Displacement (Attachment D)
- Transportation Investments (Attachment E)
- Regional Express Lanes Network (Attachment F)

Additional Initiatives and Priorities for Plan Implementation

A number of implementing agencies or organizations identified priorities as we work together to advance the implementation of Plan Bay Area. Some of these issues to be explored further are already identified in the Draft Plan, such as sea level rise, climate adaptation, and earthquake and hazards resiliency. However, the comments also identified new implementation issues that were not directly addressed in the Draft Plan. Staff recommends that the following key initiatives and policy-related efforts be added to the final Plan Bay Area as key areas for additional work by ABAG and MTC. That work will permit these issues to be considered more fully in the 2017 update of Plan Bay Area.

1 Goods Movement and Industrial Lands: The movement of freight and the protection of production and distribution facilities has important environmental, economic and equity implications for the region. Building on MTC's *Regional Goods Movement Study* and related land use analysis, MTC/ABAG will evaluate the needs related to the development, storage and movement of goods through our region and identify essential industrial areas to support the region's economic vitality. This issue will also be considered as part of MTC's participation in the update of the State of California's freight and rail plans and as MTC/ABAG prepare for the update of Plan Bay Area.

2 Inter-Regional Coordination: The nine-county Bay Area is closely connected with its adjacent counties and metropolitan areas through issues such as inter-regional commuting, housing needs, and job access. To advance the goals of Plan Bay Area and ensure that the region is planning efficiently with adjacent regions, MTC/ABAG staff propose to advance coordinated planning and modeling efforts with MPOs in key

neighboring counties, particularly SJCOG (San Joaquin), SACOG (Sacramento), and AMBAG (Monterey/Santa Cruz).

3 State of the Region Report: Plan Bay Area is a performance-based plan. MTC has long tracked the state of the region's transportation system, while ABAG has monitored housing growth and development. In 2015 at the mid-point between release of the first Plan Bay Area in July 2013 and the update of the Plan in 2017, MTC/ABAG staff propose to release a State of the Region Report that examines a variety of relevant issues directly related to Plan Bay Area and more broadly to quality of life in the region.

4 Priority Conservation Area (PCA) Program Expansion and Refinement: MTC/ABAG will expand and refine the PCA program to strengthen regional coordination around open space preservation and maximize the impact of available funding. This will involve defining the role of different kinds of PCAs in supporting agriculture, recreation, habitat, and other ecological functions and using this analysis to seek additional funding for PCA conservation efforts.

5 Integration of Economic Development into Regional Planning: MTC/ABAG will consider relevant findings from the Regional Prosperity Plan, and the Bay Area Business Coalition-led economic development strategy to craft policies for the update of Plan Bay Area. This will include both worker-based strategies for career pathways, model land use guidelines for growing industries, and place-based strategies to support the growth of different kinds of Priority Development Areas, including small towns, mixed use corridors and existing office parks.

6 Local Project Consistency with Plan Bay Area: To provide greater clarity to local jurisdictions and other stakeholders about the process for utilizing the environmental review provisions of SB375 and CEQA streamlining provisions for infill projects, per SB226, MTC/ABAG will prepare guidance for local municipalities to determine the consistency of projects with the plan and ensure that SB375 CEQA streamlining provisions are readily available to local jurisdictions.

7 Regional Planning: As outlined in SB792 (DeSaulnier), the Bay Area Air Quality Management District (BAAQMD) should join with MTC and ABAG in preparing and adopting the 2017 update of Plan Bay Area with the Air District taking the lead on planning issues related to criteria pollutants and toxic air contaminants. Likewise, the Bay Conservation and Development Commission (BCDC) should join its three regional agency partners in preparing and adopting the update Plan by taking the lead on planning issues related to sea level rise and adaptation to climate change.

Steve Heminger

Ezra Rapport

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Attachment A

<u>Key Issue/Policy:</u> Regional Population and Housing Forecast

Issue Area: A number of organizations and local jurisdictions have suggested that the population and housing projection in the Draft Plan be either increased or decreased. This stems from concerns about the validity of the methodology used to create the forecast on the part of some jurisdictions and members of the public, and about the adequacy of the forecast's projection of housing growth to meet the region's long-term housing needs on the part of some developers and housing advocates.

Key Considerations: The population and housing forecast included in the plan has undergone significant scrutiny and has been validated by the California Departments of Finance (DOF) and Housing and Community Development (HCD). The methodology used to create the forecast starts with projected regional job growth, which is the main determinant of ABAG's regional population and housing growth forecast—consistent with other major regional forecast models in California and the models used by the three major national economic forecasting firms.

Forecasted job growth to 2040 is estimated as a share of U.S. projected job growth, based on an assessment of regional competitiveness by major industry sector. The Bay Area's strength in industry sectors that are expected to grow, such as professional services and information, results in a higher rate of projected job growth than the rate for the nation as a whole. While the expected economic growth by 2040 is lower than in previous decades, it still reflects a healthy regional economy. During the economic recovery over the past two years, the region has experienced employment growth at a faster rate than the Plan forecast.

Population growth is projected in terms of natural increases from births and deaths and migration into the region. The ABAG forecast uses California Department of Finance (DOF) fertility and mortality assumptions to determine the amount of natural increase in the population to develop a population profile. Migration, rather than being tied to recent trends, is forecasted as a function of job growth. From population growth, a forecast of households and housing units is developed. The final forecast incorporates all of these factors, as well as assumed availability of funding to support affordable housing.

This regional forecast was used as the basis for developing the employment and housing growth pattern adopted by the MTC and the ABAG Executive Board in May 2012 as the Preferred Alternative and included in the Draft Plan. Changes in the regional forecasts that occurred prior to the selection of the Preferred Alternative reflected changing data regarding national, state, and regional demographic and economic conditions, most notably the sustained economic recession.

The population projections incorporate the most recent data and trends, and were developed through sound methodology in collaboration with DOF and HCD. Plan Bay Area and its related forecast will be updated every four years.

<u>Recommendation:</u>

1. Retain the population and housing forecast utilized in the Draft Plan.

Attachment B

<u>Key Issue/Policy:</u> Housing Redistribution to Suburban Locations

Issue Area: Housing advocates, developers, and some stakeholders raised concerns about the concentration of future housing production in core urban areas in the Plan. From one perspective some argue that, the Plan does not provide enough low and moderate income housing in locations with strong job and transit access and high quality amenities including schools. From another, the Plan does not distribute enough housing, including market rate housing to greenfield suburban locations with untapped development potential that can help meet the region's future demand. These questions have led some entities to question the "feasibility" of the Draft Plan.

Key Considerations: The distribution of housing in the Draft Plan was adopted in May 2012 by the ABAG Executive Board and the Commission as the Preferred Alternative. This followed extensive consultation with local jurisdictions, stakeholders, and the general public. The Draft Plan's housing distribution identifies the locations that can accommodate future growth, including the scale and type of growth most appropriate for different types of locations. It provides a more focused growth pattern for the region than historic trends, identifies locations for future housing growth while recognizing the unique characteristics of the Bay Area's communities. Relative to the assertion that the Draft Plan's land-use pattern is not feasible, the consultant team responsible for the PDA Readiness Assessment that was developed to evaluate the distribution of future growth in PDAs believe that the Draft Plan's growth allocations represent an achievable, if not easy, outcome consistent with the scope and purpose of a comprehensive regional plan. The team also has stated that in their opinion, it is not at all certain that non-PDA areas are more "ready" for significantly more growth than has been allocated to them under Plan Bay Area.

Shifting the distribution of housing growth in the Plan to more suburban locations would have ripple effects across the region. In addition to increasing the number of housing units distributed to suburban communities without any prior consultation, it would create major distribution changes in other jurisdictions. In the case of shifting low and moderate income housing to job and transit rich suburbs, it would also likely require a dramatic increase in housing subsidies for which no funding source has been identified. Redistributing housing to greenfield suburban locations would likely increase pressure on open space, and create a host of other environmental impacts. Redistributing housing to suburban locations also conflicts with SB 375's requirement to "utilize the most recent planning assumptions considering local general plans and other factors." (Government Code Section 65080(b)(2)(B).)

<u>Recommendation:</u>

1. Retain the housing distribution in the Draft Plan.

Attachment C

<u>Key Issue/Policy</u>: Affordable Housing

Issue Area: A large number of comments on the draft Plan Bay Area cite concerns about the lack of financial support for affordable housing. Given today's soaring housing costs, housing production costs in the Bay Area, and the complexity of developing housing in locations near transit, additional resources are needed to facilitate the preservation of currently affordable housing and the construction of new affordable homes in the future. The loss of redevelopment funding combined with reduced funding levels at the state and federal level leaves a structural financing gap of at least 10-20% on most affordable housing projects in the region after accounting for typical equity investments from banks, local trusts and fees, and other lenders.

The success of Plan Bay Area implementation hinges on increasing the availability of affordable housing. Production of affordable housing and community stability have been raised as critical issues to retain and improve the quality of life of existing neighborhoods, accommodate future growth, and address the labor needs of our business community.

Key Considerations: For the 1999-2006 Regional Housing Need Allocation (RHNA) period, the region produced 44% of its Very Low and 75% of its Low Income housing units needed, leaving approximately 23,000 very low and low income units un-built. The current RHNA period includes 78,000 very low and low income units. Production is again expected to fall short of the region's needs unless new funding sources and strategies are identified. Also, a substantial amount of otherwise affordable housing is in need of rehabilitation.

The Transit Oriented Affordable Housing (TOAH) Fund established with $10 million from MTC created a $50 million fund by leveraging investments from banks (Citi and Morgan Stanley), community development financial institutions (CDFIs), two community foundations, and two national foundations. An additional investment of $10 million set to take place in late 2013 will grow the fund to at least $90 million, a leverage of 3:1 on this second investment.

Funding for the production and rehabilitation of affordable housing will require local planning and entitlement processes that support this effort. Coordination with Congestion Management Agencies (CMAs) as well as the provision of incentives for local jurisdictions will be essential. Priority Development Areas (PDAs) provide a policy framework that can support investments in disadvantaged communities as well as encourage housing production in communities with access to employment and educational opportunities based on regional and local collaboration.

CMAs are providing a new level of support through their PDA Investment and Growth Strategy reports. Most CMAs already have compiled an inventory of affordable housing and displacement policies by local jurisdictions.

Recommendation:

1. Reserve $600 million over the life of the Plan from Cap and Trade revenues to a regional affordable housing fund. Based on the experience with TOAH and local jurisdictions' contributions to affordable housing production and preservation, this $600 million can be leveraged to a large degree to support the creation and rehabilitation of affordable housing units. The fund can support the preservation of currently affordable units and assist with the development of new affordable units. The specific provisions and identification of partners in the fund and leveraging opportunities will be determined following adoption of Plan Bay Area.

2. Continue the use of Regional PDA Planning funds to facilitate the entitlement of affordable housing in transit corridors.

Attachment D

<u>Key Issue/Policy:</u> Reducing Potential Risk of Displacement

Issue Area: Cities, housing organizations and individuals have raised concerns about the potential for involuntary renter displacement associated with the transit oriented growth pattern in Plan Bay Area, especially in the region's low and moderate income neighborhoods. While cities have actively supported planning and funding for PDAs, investments in neighborhoods with transit access and urban amenities may increase rents and result in a net loss of unrestricted affordable housing. At the same time, low-income neighborhoods are in need of investments and increasing income diversity that can support a broader range of services and amenities as well as provide economic mobility.

Key Considerations: The Plan's goal is to house the region's current and future population without displacement. The Plan's sustainability strategy is to increase affordable housing near transit. The Plan has assessed the potential risk of displacement by location based on areas of major growth where people pay more than half of their income in rent. This includes approximately 30,000 households or about 1 percent of the total Bay Area households. Displacement risk does not affect all or even the majority of PDAs. However, the effectiveness of the Plan relies on the social, cultural and economic vitality of our existing neighborhoods, which could be disrupted through displacement.

Displacement risk can be primarily addressed by increasing resources for the creation and preservation of affordable housing (as described in Attachment C "Affordable Housing") and improving economic opportunities for current residents.

To ensure that growth and investments support vertical mobility for existing residents rather than horizontal displacement, the One Bay Area Grant (OBAG) program provides a framework for local government and Congestion Management Agencies (CMAs) to adopt appropriate neighborhood stabilization and affordable housing policies through the OBAG-related Priority Development Area Investment and Growth Strategies. The success of this effort will require monitoring and appropriate revisions as well as the development of additional regional initiatives. These initiatives will need to recognize the unique qualities of each neighborhood and the need for policy interventions that are locally defined.

In March 2012, MTC and ABAG launched the HUD-funded Bay Area Regional Prosperity Plan. The Prosperity Plan is envisioned as an implementation component of Plan Bay Area. The Prosperity Plan's Housing Initiative will support capacity-building and knowledge sharing, community-response, policy and tool development, and funding analysis activities across the region to address the potential risk of displacement of low- and moderate income households.

Recommendation:

1. Target neighborhood stabilization investments, including housing rehabilitation, small site acquisition and land banking, in the allocation of projects funded by the Transit Oriented Affordable Housing (TOAH) fund. All of these uses are currently eligible for funding.
2. Based on local input gathered in the CMA's Investment and Growth Strategies and ABAG's housing development and policies inventory over the next 24 months, ABAG/MTC will provide a menu of affordable housing and anti-displacement policies for consideration in the next round of One Bay Area Grant funding. This strategy will provide the flexibility to address unique local conditions as well as incentives for local jurisdictions to guide and direct resources to affordable housing production.
3. Consider implementing and funding best practices with regard to neighborhood stabilization and anti-displacement efforts that emerge from research projects funded by the HUD Regional Prosperity Grant

Attachment E

<u>Key Issue/ Policy:</u> Transportation Investments

Issue: A large number of comments addressed the level of investment for public transit and local streets and roads. Many stakeholder organizations and individuals requested more funding for transit, specifically funding for local bus operations and youth bus passes. In addition, letters from several agencies flagged the need to address the remaining unfunded transit capital needs. Many others questioned the cost-effectiveness of additional transit services and emphasized the importance of maintaining the existing infrastructure, both transit and streets and roads. Others called for a larger investment in the region's road network to better maintain the roads and expand them, alongside comments from many stakeholder organizations critical of roadway expansion.

Key Considerations: After accounting for the transit and local road investment proposed in the Draft Plan, the region faces a $17 billion transit capital shortfall and a $20 billion shortfall in local street and road rehabilitation needed to achieve the Plan's adopted performance targets for this critical infrastructure. The Draft Plan fully funds the operating shortfalls of the existing transit system but also recognizes the importance of controlling costs, improving service and attracting new riders. The Transit Sustainability Project seeks a five percent drop in operating costs by 2018, and then indexes those costs to inflation. The Draft Plan also assumes an investment of $500 million over the Plan period to support infrastructure improvements in ridership and service productivity.

Cap and Trade revenues will be available starting in 2015 and staff is recommending that the Plan revenues be increased to reflect a total of $3.1 billion from this revenue source through 2040. After accounting for an investment of $600 million of these funds for transit-oriented affordable housing (see Attachment C), the balance of funds totals $2.5 billion.

Recommendation: Staff recommends that the balance of Cap and Trade revenues ($2.5 billion) be reserved for transit operating and capital rehabilitation/replacement, and for local street and road rehabilitation, consistent with the focused land use strategy outlined in Plan Bay Area. The share of funds reserved for these purposes, the specific project sponsors, and investment requirements (i.e., consistency with the goals of Transit Sustainability Project and complete streets elements, etc.) would be subject to further deliberation and public outreach following adoption of Plan Bay Area.

<u>Key Issue/Policy</u>: Regional Express Lanes Network

Issues Area: The Draft Environmental Impact Report (DEIR) for Plan Bay Area included three versions of the Regional Express Lanes Network (see attached map).

1. **Regional Express Lanes Network:** The Draft Plan includes a Regional Express Lane Network of approximately 350 miles that aims to close gaps within the existing high occupancy vehicle (HOV) lane system on I-80, I-880, I-580 and I-680 to increase travel time savings and reliability for carpools and buses in those corridors. The Express Lanes Network converts existing carpool lanes to express lanes and uses the revenue generated to finance completion of the carpool/express lane system.
2. **Reduced Scope Express Lanes Network:** A Reduced Scope Express Lanes Network, as evaluated in Alternative 3 of the DEIR, includes HOV lane conversions and HOV lane gap closures in the inner Bay Area for a total of approximately 300 miles. This alternative removes the proposed expansion express lanes on I-580 and I-80 at the outer edges of the Bay Area (shown in red on the attached map).
3. **Committed Express Lanes Only:** Alternative 5 of the DEIR includes only Committed Express Lanes. This alternative removes express lanes on I-80, I-880 and portions of I-680 and I-580. It includes only the existing express lane on I-680 and express lanes on I-580 east of Livermore for a total of approximately 40 miles.

We received a significant number of comments requesting changes to the Regional Express Lanes Network, as defined in the draft Plan. The requests include:

- Limit Express Lanes Network to only include segments that are conversions of existing HOV lanes.
- Include expansion express lanes (those segments where no HOV lane currently exists) only if they are conversions of a general purpose lane to an Express Lane.
- Modify the network approach to allow toll revenue to fund expanded transit operations and other non-single occupant transportation choices in each corridor concurrent with the opening of each new express lane.
- Ensure low income families receive an equitable share of the benefits of express lanes.

Key Considerations: Closing the gaps in the HOV network is a critical aspect of the express lanes strategy because of the benefit provided to carpools and express bus services in the affected corridors. While state and federal laws do not currently allow conversion of an existing general purpose lane to an express lane, there is no prohibition on studying this approach. Plan Bay Area already reflects a significant regional commitment to funding transit operations and maintenance as well as expansion. In addition, as described in Attachment E, staff is recommending additional revenue for transit investments.

Data from other regions, including Minneapolis, San Diego, Orange County and Seattle, indicates that low-income travelers use express lanes and value having the choice to use them.

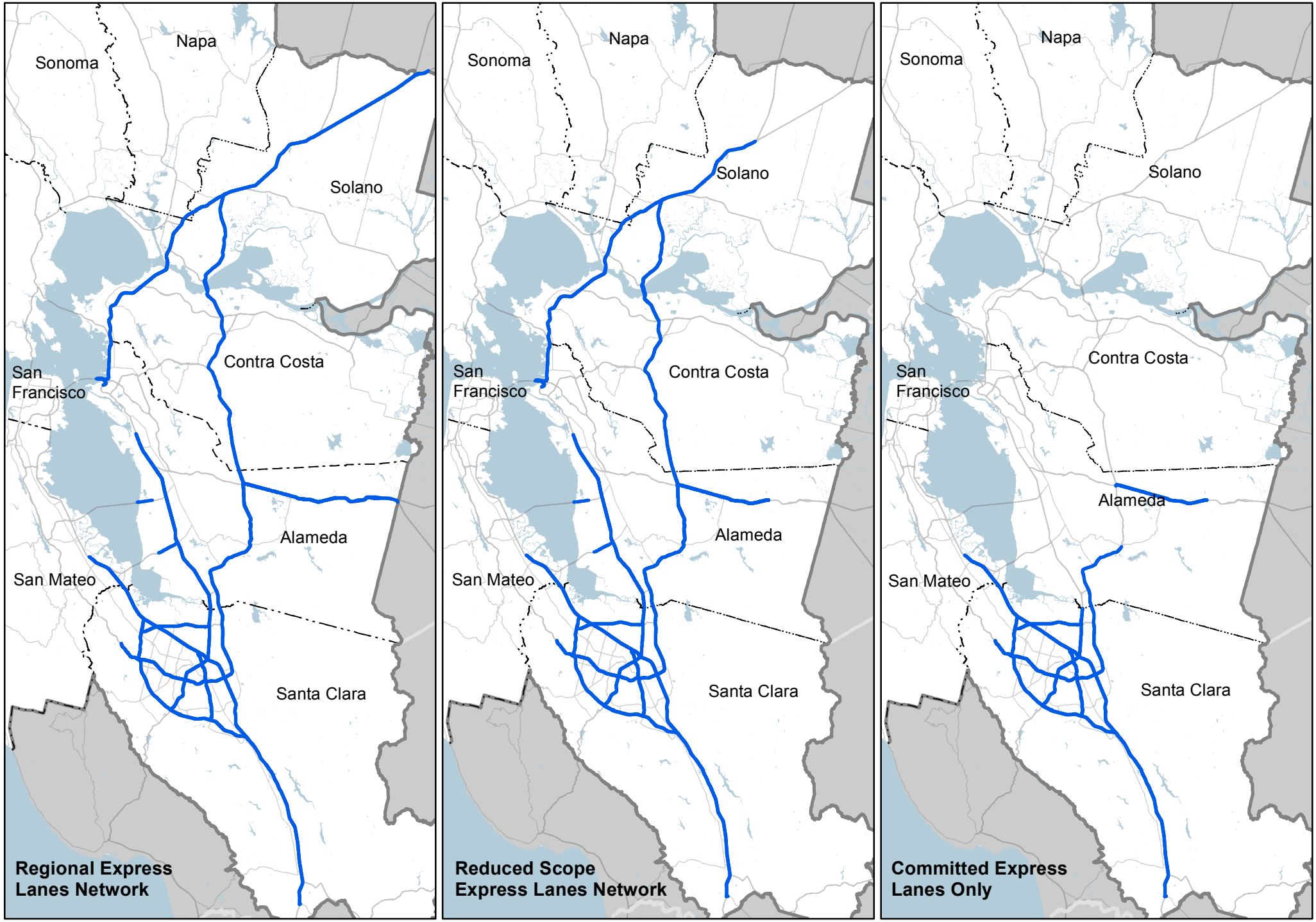
This finding is reinforced by initial outreach to low-income travelers in the Bay Area.[1] Implementation of the Regional Express Lanes Network will include project-level environmental clearance that will comply with all applicable requirements for environmental justice analysis. In addition, focused outreach will be conducted with low income communities as part of the Express Lanes network roll out.

Recommendation:

1. Continue to include the full Regional Express Lanes Network in the Final Plan
2. MTC/BAIFA should study the potential benefits and impacts of converting general purpose lanes to Express Lanes in order to inform implementation of the express lanes network and future long-range plans.

[1] Staff presentation to the MTC Policy Advisory Council, March 13, 2013. http://apps.mtc.ca.gov/meeting_packet_documents/agenda_2008/5_Express_Lanes.pdf

Attachment F-a



YEAR 2040 PROPOSED EXPRESS LANE NETWORKS