TO: MTC Planning Committee/ABAG Administrative Committee

DATE: March 6, 2015

FR: MTC Executive Director/ABAG Executive Director

RE: Priority Development Area (PDA) Development and Feasibility Assessment Update

Background

In 2012, MTC and ABAG oversaw an assessment of the readiness of PDAs to accommodate housing projected in 2040, the horizon year of Plan Bay Area. The PDA Assessment evaluated a sample of twenty PDAs representing a variety of place types and market conditions, and focused on housing capacity, existing planning and entitlement process, the level of community support for development (as demonstrated by elected official approval of PDA-supportive land uses as well as history of neighborhood opposition), market attractiveness, infrastructure capacity, unfunded needs and financing capability. Completed in 2013 and included as a supplementary report to Plan Bay Area, the Assessment found that the baseline readiness of the PDA sample to take on residential growth was 60% of the 2040 forecast. With the implementation of a range of proposed policy and financial interventions, the Assessment estimated that an increase in the development capacity of the PDA sample to 80% or more was feasible.

The settlement agreement in the matter *Building Industry Association Bay Area v. Association of Bay Area Governments, et al*. (Alameda County Superior Court Case No. RG13692098) requires an update of the Assessment in advance of the update to Plan Bay Area. An update to the analysis offers an opportunity to assess market conditions that have significantly changed in many PDAs since the initial Assessment was completed. The Assessment update will consider these changes and their effect on PDAs to accommodate residential growth. The update will also evaluate a larger sample of PDAs offering a more complete picture of the opportunities and challenges for future residential growth within PDAs, as well as the policy, financial and legislative changes to facilitate that growth.

Following approval from MTC's Administration Committee in July 2014, MTC entered into a contract with Economic and Planning Systems (EPS) to complete the Assessment update. Because EPS completed the initial Assessment, EPS staff was familiar with the Assessment framework and data and was able to begin work immediately. This timing is helpful to ensure that MTC and ABAG complete the update so that results of the analyses will inform the update to Plan Bay Area, as well as meet the completion timeframe for the work outlined in the settlement agreement.

Scope of Work

The Assessment update is being prepared in a manner comparable to the work completed in 2013. The scope of the analysis similarly includes the local planning and entitlement process; community support for development; market investment attractiveness; infrastructure capacity; and financing. An advisory committee for the project was established with the following perspectives represented - residential developers, local jurisdictions, congestion management agencies and the

Building Industry Association. The committee met in October 2014 to review the framework for the analysis and the expanded sample of 65 PDAs, which includes the initial 20 evaluated in the 2013 analysis, as well as an additional 45 PDAs representing a range of place types and market conditions.

The EPS team is currently analyzing the PDA sample set, which includes contact with each city, as well as local developers. Preliminary results will indicate the capacity of each of the PDAs in the sample to achieve the residential development projected in Plan Bay Area. Following the release of the preliminary results, staff will reconvene the advisory committee for their review.

As with the 2013 Assessment, EPS will also identify policies and resources that would serve to advance PDA development. The EPS team will implement an application of the general set of these techniques to each of the PDAs included in the sample. This aspect of the analysis will address the constraints and limitations to development identified for each PDA.

Finally, EPS will extrapolate the findings noted above and apply them to the greater set of PDAs in the region. While not the primary focus of the analysis for this project, the EPS team will also consider development feasibility and readiness in areas outside of PDAs.

The timeline to complete the project is summer 2015.

Next Steps

Following the completion of the Assessment Update, staff will return to these Committees in the fall to present the results of the analysis.

Steve Heminger

Ezra Rapport

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