Agenda Item 5a

TO:	MTC Planning Committee and the ABAG Administrative Committee	DATE:	October 7, 2016
FR:	Executive Director	W.I.	1121
RE:	Update on Plan Bay Area 2040 Draft Preferred Scenario and Investment Strategy		

Background

In September, staff presented the Plan Bay Area 2040 Draft Preferred Scenario and Investment Strategy at a Joint Meeting of the MTC Planning and ABAG Administrative Committees. The Draft Preferred Scenario encompasses a 2040 regional pattern of household and employment growth and a prioritized set of transportation investments comprising $309 billion of anticipated revenues. Staff have requested comments by October 14. At today's meeting, staff will update the committee on the feedback received thus far.

Feedback Received So Far

Over the last month, staff has presented this information to a number of different audiences, including MTC advisory committees and working groups, the ABAG Regional Planning Committee and the ABAG Executive Board. Staff has also presented this information to local planning directors and congestion management agencies in all nine counties. Staff invited individual jurisdictions to meet one-on-one with staff about any technical issues related to the household and employment forecasts. In total, ABAG and MTC staff met with 17 jurisdictions, listed in Table 1 below, in late September and early October.

Table 1

Brisbane	Palo Alto	San Mateo
Corte Madera	Portola Valley	Santa Clara Valley Transportation Authority
Foster City	Saint Helena	South San Francisco
Gilroy	San Anselmo	County of Marin
Mill Valley	San Francisco	Vacaville
Millbrae	San Jose	

The attached presentation (Attachment 1) includes a broad overview of the feedback received thus far on the draft preferred scenario. Additionally, staff has assembled a Frequently Asked Questions (Attachment 2) about some of the assumptions used in the analysis process. Formal correspondence received since the draft preferred scenario's release can be viewed online here: http://www.planbayarea.org/your-part/your-comments.html.

Next Steps

Staff will develop a Revised Preferred Scenario, integrating feedback heard over the past month for consideration and adoption by the Commission and Executive Board in a Joint Meeting on November 17, 2016. The joint board meeting will be held here at the Bay Area Metro Center. Staff will also develop policy and implementation actions in early 2017 for inclusion in the Draft Plan Document, currently slated for spring 2017. The final approval of the EIR and Plan Bay Area 2040 is slated for fall 2017.

Steve Heminger

Attachments:

- Attachment 1: Presentation
- Attachment 2: Frequently Asked Questions

SH: mm

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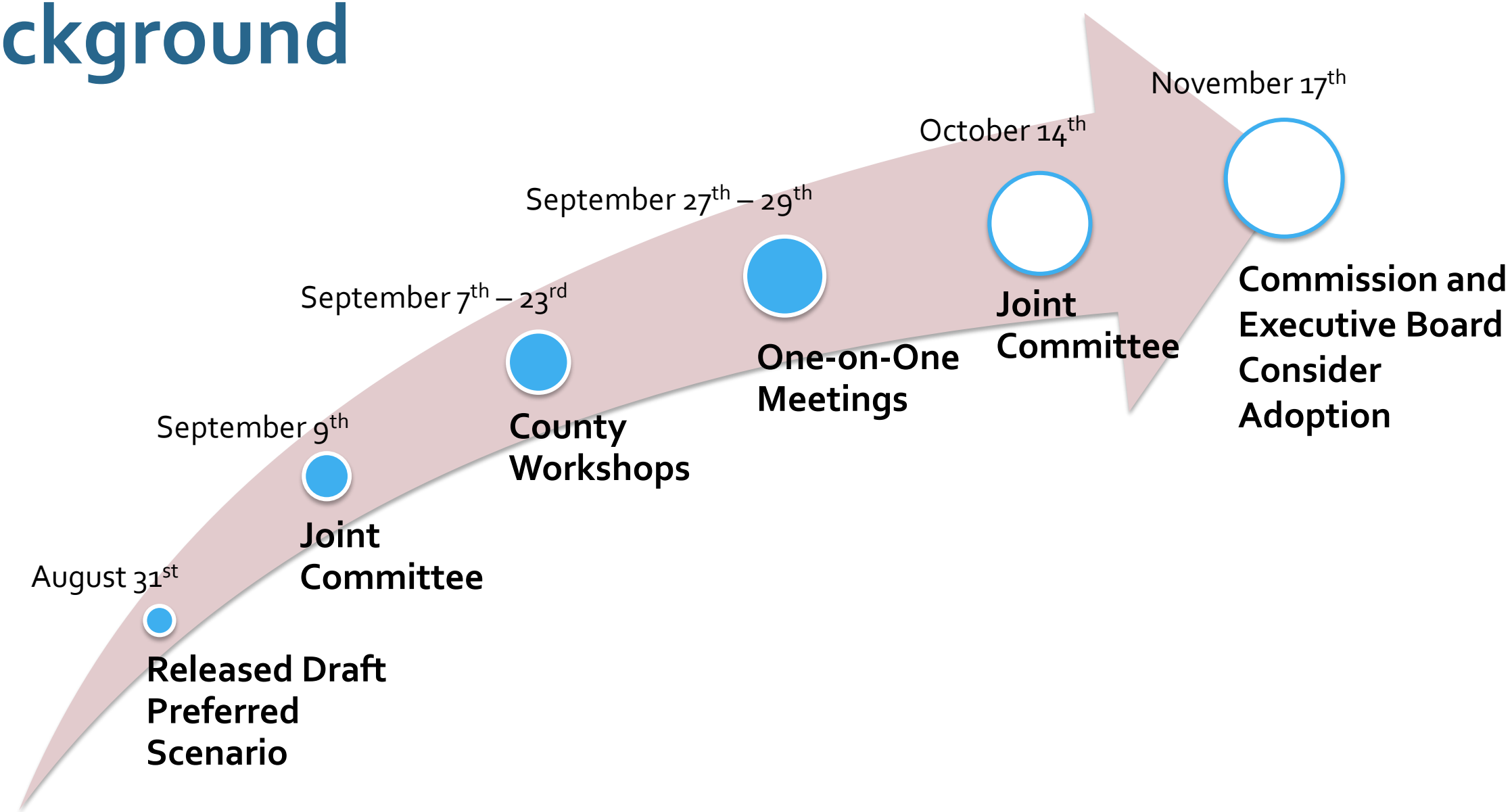
Plan BayArea 2040

Update on Plan Bay Area 2040 Draft Preferred Scenario and Investment Strategy

MTC Planning Committee and the ABAG Administrative Committee
October 14, 2016
Ken Kirkey, MTC

Background



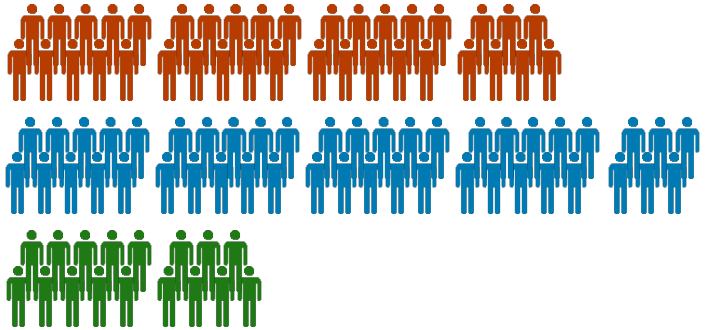
Plan BayArea 2040

Our economy is booming – but we're not building enough housing.

Plan BayArea 2040

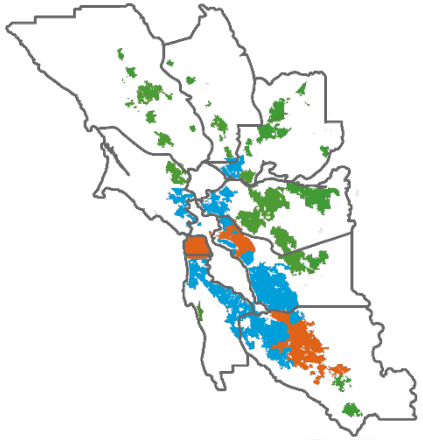
Jobs added from 2011 through 2015:

501,000



Housing units built from 2011 through 2015:

65,000



Big 3 Cities:
1 housing unit built for every
7 jobs created

Bayside Cities and Towns:
1 housing unit built for every
15 jobs created

Inland, Coastal, Delta Cities and Towns:
1 housing unit built for every
3 jobs created

Regionally: 1 house was built for every 8 jobs created

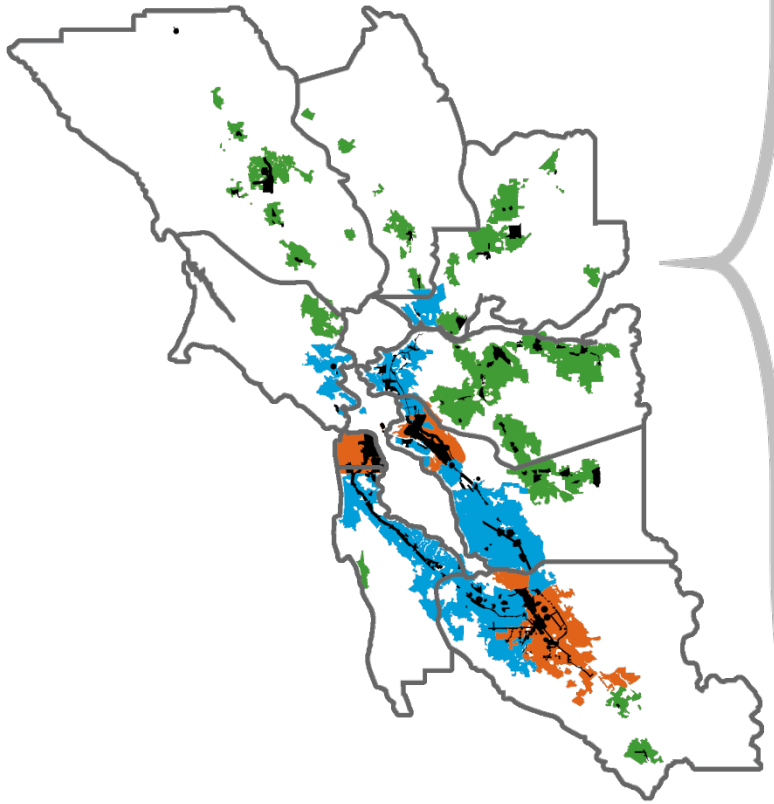
http://www.dof.ca.gov/research/demographic/reports/estimates/e-5/2011-20/view.php

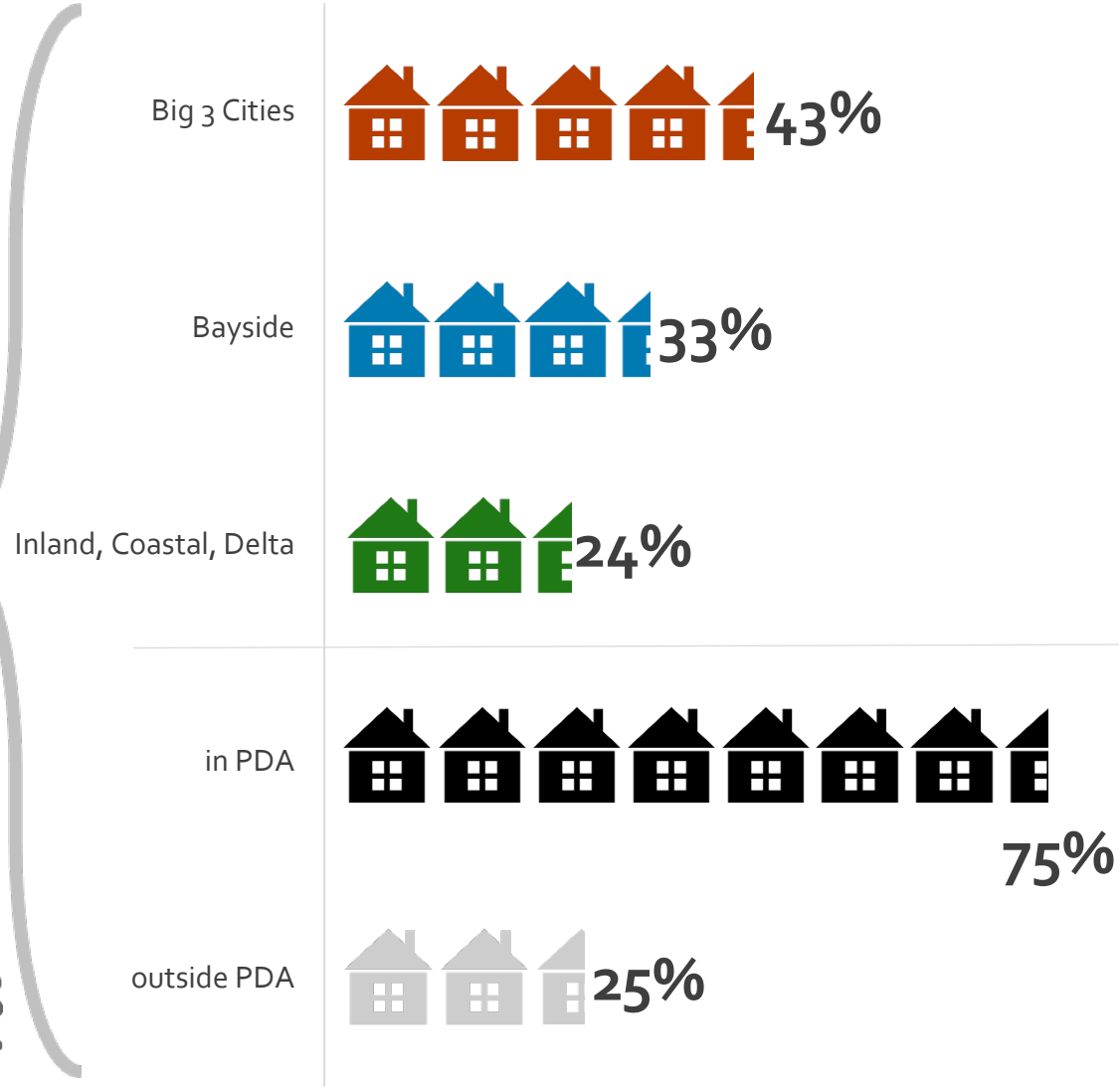
Image Source: https://www.flickr.com/photos/swang168/388908005

Similar to *Plan Bay Area*, the Draft Preferred focuses growth in the core of the region.

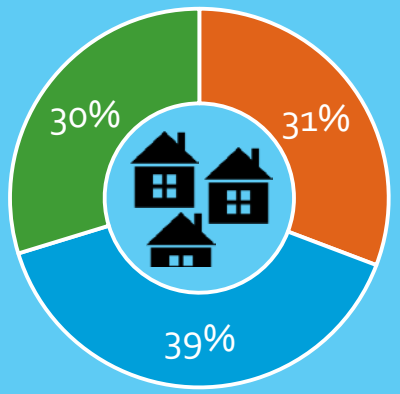
Plan BayArea 2040

Where will the region plan for the 820,000 new households?

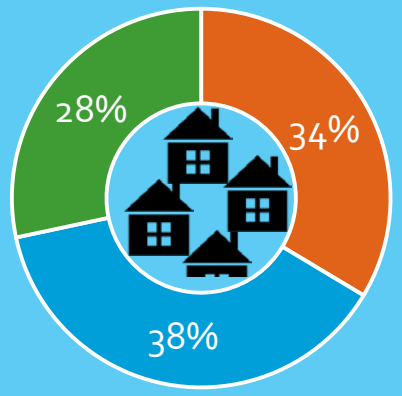




2010: **2.6 million** households



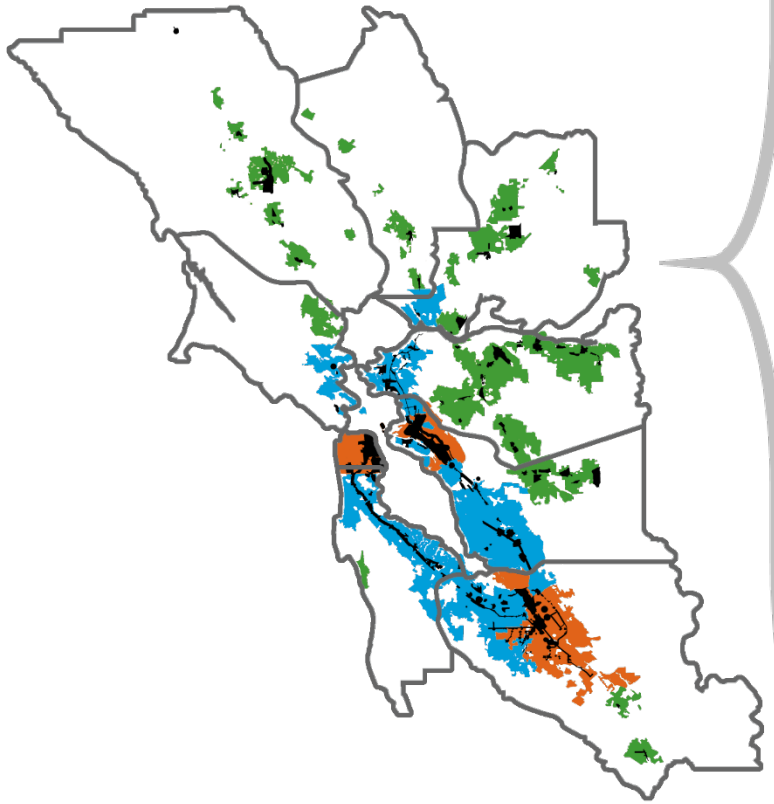
2040: **3.4 million** households

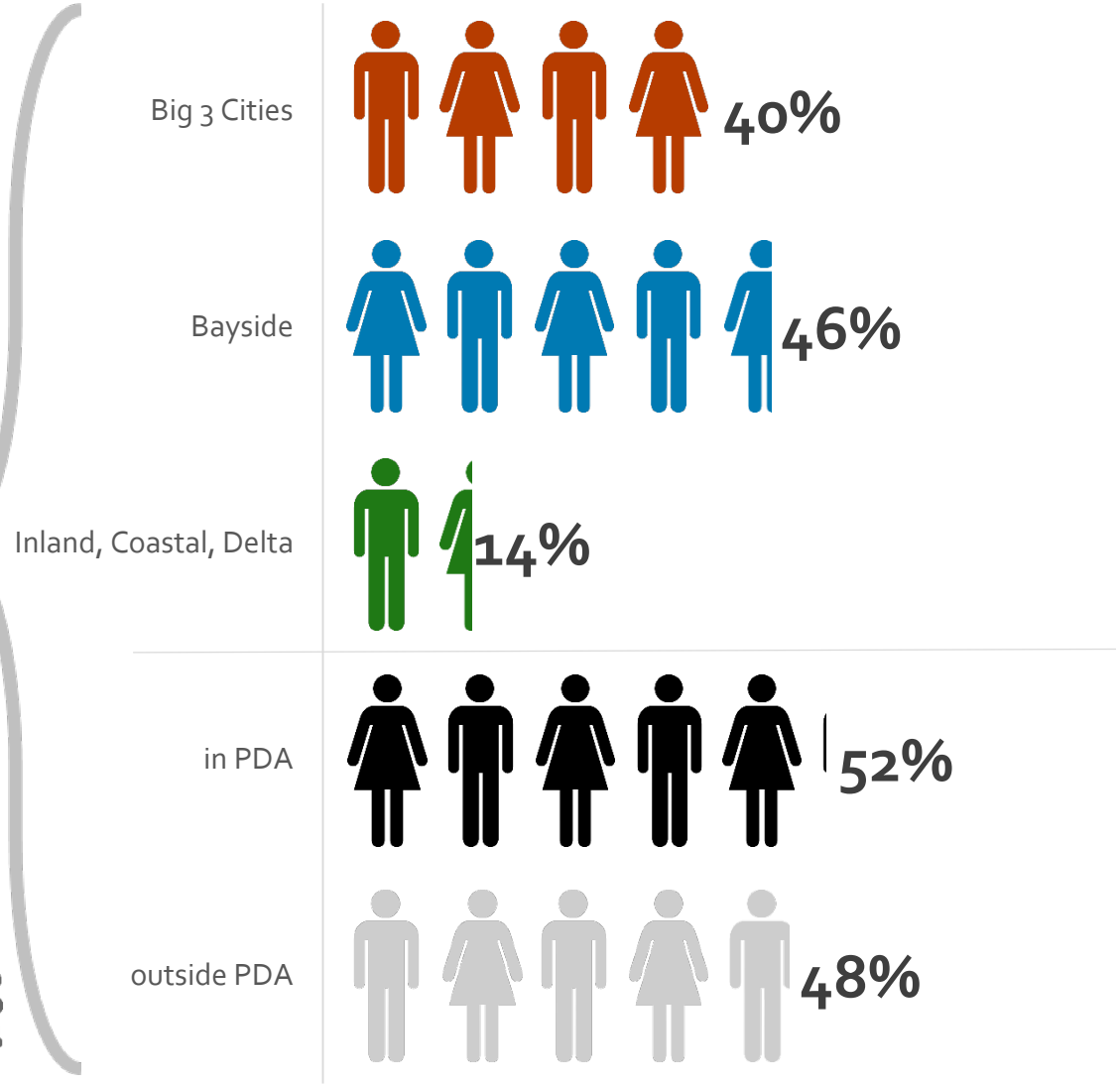


Fewer strategies exist to encourage shifts in job locations – meaning that the West Bay and South Bay remain primary employment centers.

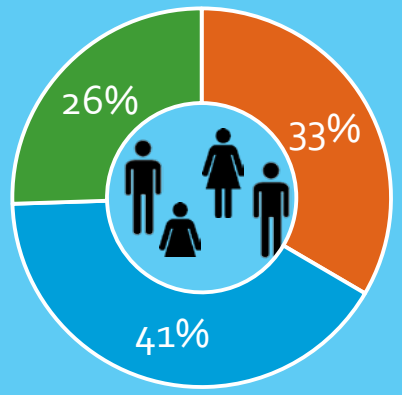
Plan BayArea 2040

Where will the region plan for the 1.3 million new jobs?

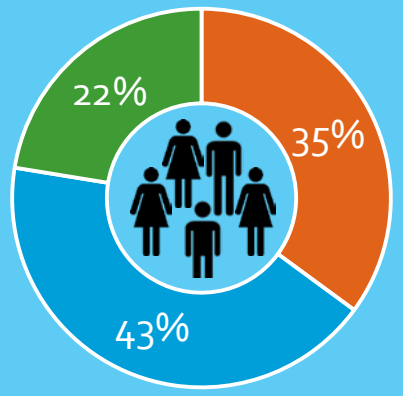




2010: **3.4 million** jobs



2040: **4.7 million** jobs



Feedback so Far – Land Use

- **Methodology & Technical Feedback**
  - Clarify 2010 baseline household and employment counts
  - Clarify planning assumptions and strategies used in the forecast
  - Household or employment projections sometimes run contrary to local expectations

- **Policy Feedback**
  - Modify (add/subtract/change) regional land use strategies
  - Incorporate strategies to direct more housing to jobs-rich communities
  - What would it take to improve the region's housing affordability crisis?

The Draft Preferred Scenario allocates over 90 percent of funds towards maintenance and modernization, similar to Plan Bay Area.

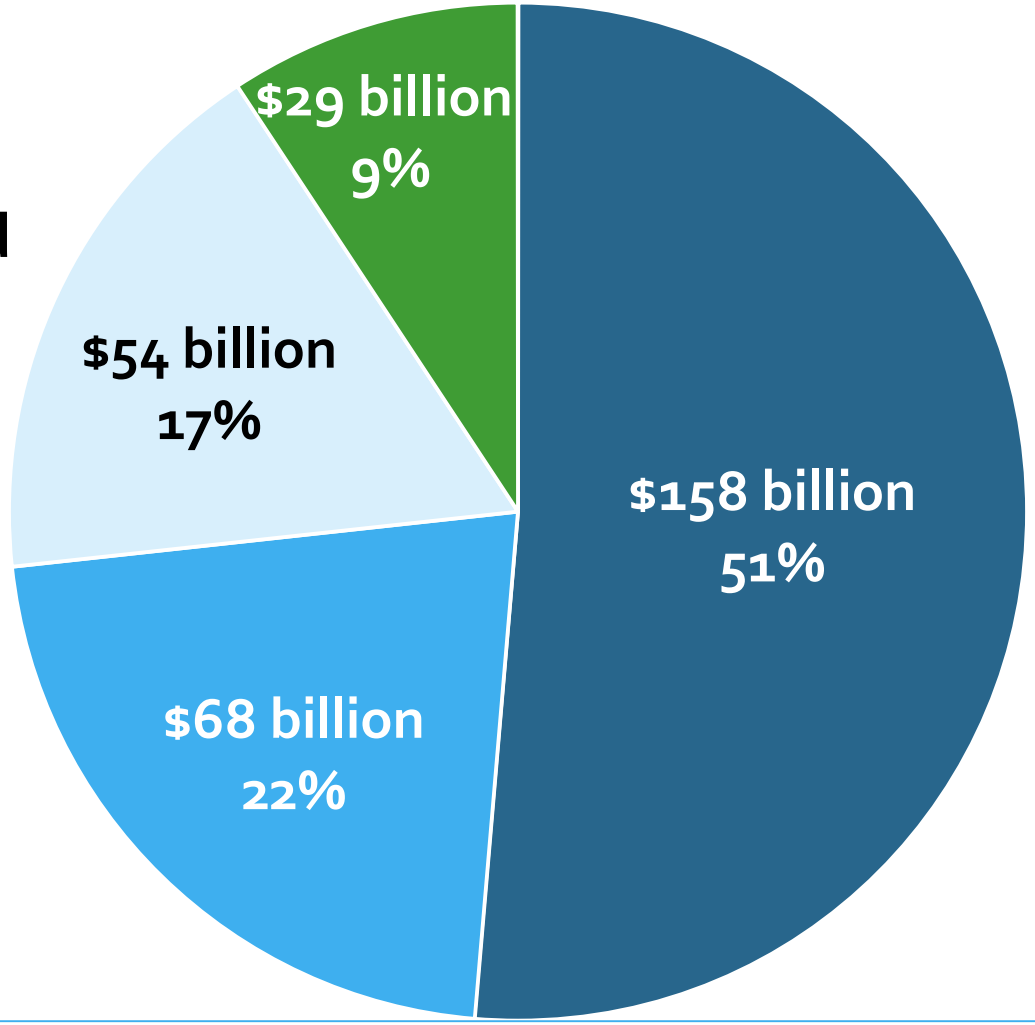
91%

Operate, Maintain, and Modernize

9%

Expand Existing System

Total Plan Bay Area 2040 Expenditures (in billions of $YOE)



- Operate and Maintain - Transit
- Operate and Maintain - Roads/Freeways/Bridges
- Modernize
- Expand

Plan BayArea 2040

Feedback so Far – Transportation

- **Methodology & Technical Feedback**
  - Provide more detail on transportation investments
    - Break out discretionary and committed funding sources
    - Show more detail on increasing transit operations costs
    - Clarify revenue sources for major projects
  - Detail to be provided to the Partnership Board and Regional Advisory Working Group

- **Policy Feedback**
  - Include full build-out of the Express Lanes network
  - Provide more investment for Lifeline programs

Plan BayArea 2040

Plan BayArea 2040

If we really want to address affordability and equity challenges, action is needed by an engaged public and by all levels of government. Only the most aggressive policies will be sufficient to deal with our housing crisis.

Housing + Transportation Costs
(as a share of income)*

54% of household income

2005

Housing: +12%

Transportation: +1%

Housing + Transportation: +13%

67% of household income

2040

** = for lower-income households*

Image Source: https://www.flickr.com/photos/gdodge/15336815438

Plan Bay Area 2040: Approach to Implementation

- Draft Preferred Scenario meets or exceeds several important regional goals: climate protection, job creation, speed of goods movement
- But Scenario falls far short on issues of affordability, displacement risk, access to jobs
- Plan document will not solve all these problems, but can begin to articulate potential paths forward
- For further discussion in early 2017

Next Steps

- Formal comment period ends today (October 14, 2016)
- The Final Preferred Scenario will be recommended to MTC Commission and ABAG Executive Board at a special meeting on November 17th
- Once adopted, the Final Preferred Scenario will be subject to CEQA review and be the basis for the Draft Plan
- The Draft Plan and Draft EIR (CEQA) will be released in Spring 2017
- The Final Plan and Final EIR will be complete in Summer 2017

Attachment 2

Frequently Asked Questions

Forecasting the Future: Answering Questions about the Draft Preferred Scenario
October 2016

In September 2016, MTC and ABAG released the Draft Preferred Scenario to the public, incorporating land use and transportation strategies from the three previously-analyzed scenarios. These strategies – ranging from inclusionary zoning to strict urban growth boundaries – influence our regional forecasts for housing and jobs. Stakeholders and jurisdictions have now had an opportunity to review detailed data tables showing forecasted growth for both housing and jobs by city and by Priority Development Area (PDA) as a result of the assumed policies in the Draft Preferred Scenario.

Staff is looking for feedback – both on the policies included or not included in the Draft Preferred Scenario and on data inputs such as General Plan zoning that form the foundation of our land use forecasting model. This document is designed to answer common questions about how those land use forecasts were developed, in addition to specific questions raised at recent meetings.

Overall Questions

How were housing and jobs forecasts developed?

All scenarios were consistently evaluated using two peer-reviewed models – UrbanSim (land use) and Travel Model One (transportation). This means that specific strategies were identified by staff based on feedback from the public, jurisdictions, and stakeholders over the course of the planning process in order to encourage housing and job growth in certain areas and discourage in other areas. A primary driver for the strategies selected is the state-mandated greenhouse gas reduction target, which rewards growth in locations close to job centers and public transit; other adopted performance targets set by MTC and ABAG were also carefully considered when identifying feasible policies for inclusion. For example, the strict urban growth boundaries in the Draft Preferred Scenario were designed to discourage low-density development at the periphery of the region and increase the attractiveness of development in Priority Development Areas for residential and commercial growth.

Building on base year parcel data and zoning information included in adopted General Plans, and then loading in strategies to shift trends going forward, UrbanSim can forecast future growth on the parcel level. This means that it repeatedly runs a simplified pro forma analysis on each Bay Area parcel to simulate the behavior of residential and commercial developers, doing so on an annual basis between 2010 and 2040. As in the real world, developers seek to maximize profit while working within the constraints of policies and strategies in place at the time. As new developments are constructed, Bay Area households and employers may choose to relocate to new locations based on the characteristics of housing and commercial space available in that year. Year 2040 forecasts reflect the cumulative impact of those shifts in the built environment and in the location of jobs and residents.

Overall regional growth projections for housing, population, and jobs (i.e., control totals) – which are distributed to parcels via UrbanSim – were developed and approved by ABAG in early 2016.

What type of baseline data is used as the foundation for UrbanSim?

As noted above, UrbanSim relies on 2010 base year data as the foundation for all scenarios evaluated. Base year data includes every building present in 2010 as pulled from each county assessors' files, the Costar commercial real estate database, and several other smaller sources. This data includes building type (single-family residential, multi-family residential, office, industrial, etc.), building age, building size, and building valuation.

In addition to buildings, household and employment baseline information is needed as a starting point for UrbanSim. Household information comes from the most recent decennial Census (year 2010), and is analyzed at the block group level. This data is used to craft a synthetic population to represent each household individually as required by the model. Since block groups do not align with jurisdictional boundaries perfectly, the 2010 baseline data will differ slightly from the census count. Employment data has been updated since Plan Bay Area 2013. Baseline data was developed by taking a count of employees by industry class in each block group from the detailed Dun & Bradstreet dataset. These counts were then scaled to match ABAG's county totals by industry (based upon Bureau of Labor Statistics data). Employees could then be assigned to individual buildings within each block group. Note that due to the improved methodologies used for this cycle, baseline employment numbers may differ somewhat from Plan Bay Area.

Finally, General Plans are a critical input to UrbanSim. Apart from the new strategies included a scenario to influence its distribution of housing and jobs, it is assumed that existing policies (such as current zoning) documented in General Plans remain in effect. Staff compiled data from General Plans across all Bay Area jurisdictions and incorporated them in UrbanSim. Given that the strategies listed below are limited and focused in nature, existing local policies are a primary driver of the location of growth across all scenarios evaluated, including the Draft Preferred Scenario.

Which land use strategies were ultimately included in the Draft Preferred Scenario?

The Draft Preferred Scenario includes fiscally-constrained strategies to improve the region's transportation system as well as specific strategies to influence the location of household growth. In addition to prioritizing funding for maintaining and operating the region's roadway and transit systems, and prioritizing dollars for select modernization and expansion projects, the Draft Preferred Scenario includes the following strategies specifically related to land use:

- **Preserve current urban growth boundaries.** Today's urban growth boundaries in all Bay Area counties would be assumed not to expand through year 2040 in order to encourage infill development and to prevent impacts to agricultural or environmentally-sensitive lands. This policy is critical to achieve the Open Space and Agricultural Preservation performance target, which has been included in both Plan Bay Area and Plan Bay Area 2040.

- **Apply inclusionary zoning policies in all cities within PDAs.** The Draft Preferred Scenario assumes that 10 percent of housing units in all new for-profit housing developments in cities with PDAs would be deed-restricted for lower-income residents. This policy slightly improves performance on the Affordable Housing target by more than mitigating the decline in naturally-affordable housing stock over the lifespan of the Plan.
- **Assign higher densities in select PDAs.** Over the course of the next two decades, it is reasonable to expect that additional localized planning in PDAs will result in upzoning of select parcels to accommodate additional growth. In locations where zoning acts as a constraint to infill development, the Draft Preferred Scenario increases the density and intensity allowed to improve the profitability of development in those locations.
- **Reduce the cost of building in PDAs and TPAs.** Senate Bill 375 includes specific provisions for limited CEQA streamlining in transit-rich locations (TPAs), which slightly reduce the cost of building and improve the ability for developments to pencil out. Similarly, cities can reduce parking minimums that currently increase the cost of development and result in higher rents or purchasing costs for homes. Both of these policies are assumed to be implemented across the region in the Draft Preferred Scenario to support the acceleration of housing growth.
- **Assume subsidies are used to stimulate development in PDAs.** Application of regional development fees would generate new revenue that could be assigned to incentivize housing and employment growth in PDAs where development would otherwise be economically infeasible. For example, subsidies might be required in PDAs in Oakland, where housing and employment growth has been quite limited in recent years compared to PDAs in San Francisco.

Why are the forecasts for my city/town/PDA different than the previous Plan?

For Plan Bay Area 2040, all scenario outcomes – that is to say, the future location of jobs and housing units – were simulated using an economically-based model (UrbanSim) to test out development feasibility for every parcel in the region. Some locations that might be envisioned for future growth by local jurisdictions did not pencil out by year 2040, even with the Draft Preferred Scenario's strategies that go beyond existing General Plans. The ultimate result is that data forecasts for a given city/town/PDA may differ from local plans and may be different from the prior Plan Bay Area. At the same time, the use of UrbanSim has helped to validate the regional growth pattern and increase the feasibility of realizing it over the Plan's lifespan (assuming implementation of specific policies).

I think the amount of jobs or housing is too high (or too low) in the Draft Preferred Scenario – how can this be changed?

The most effective way to provide comments on this topic to staff and policymakers is to identify specific regional policies that might discourage (or encourage) development in a specific location. For example, if you would like to see a higher rate of growth in several PDAs, it might be useful to suggest subsidies or upzoning to increase the viability of development on parcels within those PDAs or within certain types of PDAs.

There may also be issues with the data inputs – as noted earlier, General Plans from across the region were incorporated into UrbanSim. Data glitches are certainly possible when doing this type of analysis across a major metropolitan area. Please contact MTC staff if you identify a potential error that may be a result of baseline development, zoning, or policy inputs.

Is PDA-specific or parcel-level data available?

Yes. Public agency staff, stakeholders, or members of the public can request parcel-level data files to better understand the raw data that is then summarized by PDA and by jurisdiction. Note that due to the high resolution of this data, the data files are quite large and may require GIS software to review in detail.

When are comments due on the Draft Preferred Scenario? Will additional time be provided?

Comments on the Draft Preferred Scenario are due by Friday, October 14, 2016. This timeframe is necessary to craft a Revised Preferred Scenario for consideration for approval by MTC and ABAG in November 2016. As is customary, public comment can be accepted up until the approval of the Preferred Scenario, but comments received after October 14 may not be reviewed, summarized, and responded to in advance of the November recommendation.

Specific Questions from Recent Meetings

How will this land use forecast for the Draft Preferred Scenario affect future RHNA numbers? Does it have any impacts on OBAG funding or OBAG criteria?

Plan Bay Area 2040 does not incorporate an update to the Regional Housing Needs Allocation (RHNA) process, as that effort is only completed once every eight years. The next long-range plan, slated for adoption in 2021, will incorporate new land use forecasts and will be linked to future RHNA allocations. Similarly, given that the One Bay Area Grant (OBAG) funding formula depends on RHNA and actual production and not Plan Bay Area, there are no impacts on OBAG funding distributions as a result of this analysis.

How do future job income levels influence housing location choices?

Similar to Plan Bay Area, the share of Bay Area households in lower-income brackets are expected to rise in Plan Bay Area 2040. This means that more residents are expected to experience the significant pressures associated with lower incomes and higher housing prices. Ultimately, this will cause some households to relocate to different neighborhoods or cities in the region, while others are expected to continue to live in their current communities.

What assumptions were made about housing bonds currently on the ballot?

Currently, the Draft Preferred Scenario does not assume the passage of housing bonds on fall 2016 ballots in a number of Bay Area jurisdictions. However, staff is reviewing feedback to determine whether or not these strategies – which have not yet been approved by voters – should be reflected in the Revised Preferred Scenario in November. Similarly, staff is reviewing comments indicating a preference for housing bonds as a strategy for the Revised Preferred Scenario, perhaps in lieu of inclusionary zoning as a result of short-term constraints on affordable rental housing requirements imposed by *Palmer v. City of Los Angeles*.

How much worse would the housing costs be without the Draft Preferred Scenario?

As noted in the September meeting materials which provided an overview of the Draft Preferred Scenario, the share of lower-income household income spent on housing is forecasted to increase by 12 percentage points in the Draft Preferred Scenario. Other than the Connected Neighborhoods scenario, all other scenarios including No Project (i.e., status quo) increase that share by 13 percentage points. Despite the slightly better performance, the results are in the same ballpark due to the fact that the overall number of housing units constructed (i.e., the control total) is consistent across all scenarios.

Based on these results, the location of new housing units, whether in urban, suburban, or rural locations, does not result in major differences in regional affordability. Instead, the quantity of housing constructed is a more significant driver of the affordability trend. It is critical to note that the Plan's ambitious acceleration in housing production in 2020 would need to occur to achieve the above results. Otherwise, the region could become even more unaffordable than current forecasts.

Why are jobs in PDAs down from the last Plan?

As noted earlier, Plan Bay Area 2040 relies on an analytical approach to forecast the year 2040 land use distribution, exploring how strategies influence market conditions for commercial development. In general, there are fewer strategies available to encourage job growth in PDAs than there are for housing. In part, this is due to the fact that cities' general plans generally provide excess zoning capacity for jobs due to the "fiscalization" of land use. Those baseline policies form the foundation of the UrbanSim model, with the included strategies unable to make significant headway in shifting employment locations.

In addition, the region has seen robust job growth and commercial development since 2010, accounting for roughly half of all job growth expected through 2040. Much of this development has been located in lower-density office complexes in Silicon Valley, rather than in PDAs. These buildings are expected to be occupied for commercial purposes through year 2040. This is a major factor in the lower share of PDA job growth when measuring between 2010 and 2040, as compared to Plan Bay Area.

Why are Communities of Concern performing better on select performance targets?

As part of the Plan Bay Area 2040 equity analysis, staff explored the relative performance of select performance targets inside and outside of Communities of Concern. These equity measures showed that displacement risk and access to jobs trends were better in Communities of Concern over the Plan lifespan. With regards to displacement risk, the Draft Preferred Scenario did not concentrate growth as significantly in highly-populated Communities of Concern – such as those in East Oakland and East San Jose – as extensively as other scenarios like Big Cities. This reduced the risk of gentrification of those locations and resulted in much lower displacement risk as compared to areas outside Communities of Concern. With regards to access to jobs by car and by transit, Communities of Concern already have better access to jobs compared to the regional average as a result of the fact that many are in the region's core with a high degree of multimodal accessibility. Continued investments in those core transit assets in the Draft Preferred Scenario results in strong performance for low-income and minority communities as compared to higher-income communities.

How can implementation actions be added to the Plan?

Staff will be working on an implementation strategy for Plan Bay Area 2040 as part of the Plan Document process. While not every policy will necessarily be included in the ultimate Preferred Scenario, public feedback will be used to help identify policies that would support improved performance to expedite implementation – above and beyond what is reflected in the adopted Plan and its associated performance results.