

SUMMARY MINUTES

ABAG Regional Planning Committee Meeting
Wednesday, December 2, 2015
Joseph P. Bort MetroCenter
101 8th Street, Oakland, California

1. CALL TO ORDER

Pradeep Gupta, Vice Chair and Councilmember, City of South San Francisco, called the meeting of the Regional Planning Committee of the Association of Bay Area Governments to order at 12:32 PM

A quorum of the committee was not present.

Committee Members Present	Jurisdiction
Susan L. Adams	Public Health
Desley Brooks	Councilmember, City of Oakland
Diane Burgis	East Bay Regional Park District
Paul Campos	Senior Vice President, Government Affairs, Building Industry Association
Pat Eklund	Mayor, City of Novato
Martin Engelmann	Deputy Executive Director of Planning, Contra Costa Transportation Agency
Pradeep Gupta	Councilmember, City of South San Francisco (Vice Chair)
Scott Haggerty	Supervisor, County of Alameda
Russell Hancock	President & CEO, Joint Venture Silicon Valley
Nancy Ianni	League of Women Voters Bay Area
Jeremy Madsen	Executive Director, Greenbelt Alliance
Nate Miley	Supervisor, County of Alameda
Karen Mitchoff	Supervisor, County of Contra Costa
Carmen Montano	Vice Mayor, City of Milpitas
Anu Natarajan	Director of Policy and Advocacy, MidPen Housing
Julie Pierce	Councilmember, City of Clayton (ABAG President)
Harry Price	Mayor, City of Fairfield
Matt Regan	Senior Vice President of Public Policy, Bay Area Council
Katie Rice	Supervisor, County of Marin
Carlos Romero	Urban Ecology
Pixie Hayward Schickele	California Teachers Association

Egon Terplan	Planning Director, SPUR
Dyan Whyte	Assist. Exc. Officer, San Francisco Regional Waterboard
Monica E. Wilson	Councilmember, City of Antioch

Members Absent

Tilly Chang

Julie Combs

Dave Cortese

Diane Dillon

Erin Hannigan

John Holtzclaw

Michael Lane

Mark Luce

Eric Mar

Laurel Prevetti

David Rabbitt

Mark Ross

Warren Slocum

James P. Spering

Jill Techel

Jurisdiction

Executive Director, SFCTA

County of San Francisco

Councilmember, City of Santa Rosa

Supervisor, County of Santa Clara (RPC Chair)

Supervisor, County of Napa

Supervisor, County of Solano

Sierra Club

Policy Director, Non-Profit Housing Association of Northern California

Supervisor, County of Napa

Supervisor, City and County of San Francisco

Assistant Town Manager, Town of Los Gatos

Supervisor, County of Sonoma (ABAG Vice President)

Councilmember, City of Martinez

Supervisor, County of San Mateo

Supervisor, County of Solano

Mayor, City of Napa

2. PUBLIC COMMENT

There were public comments from Ken Bukowski.

Member Adams asked if there will be information about the new location of ABAG in January.

Ms. Chion answered that they are working on that information and it will be sent out in a timely manner.

Vice Chair Gupta moved the committee to Item 4

3. APPROVAL OF REGIONAL PLANNING COMMITTEE MEETING MINUTES OF OCTOBER 7, 2015

Vice Chair Gupta recognized a motion by **Pat Eklund**, Mayor, City of Novato and seconded by **Harry Price** Mayor, City of Fairfield, to approve the committee minutes of October 7, 2015.

There was no discussion.

The motion passed unanimously.

Vice Chair Gupta moved the meeting back to Item 6 discussion.

4. ANNOUNCEMENTS

There were no announcements.

5. SESSION OVERVIEW BY MIRIAM CHION, ABAG PLANNING AND RESEARCH DIRECTOR

Ms. Chion said to recap their last meeting, they had a discussion about Plan Bay Area scenarios; staff is taking all of the input from last meeting and are preparing more detailed scenarios which they will be discussing with all the local jurisdiction planning directors and planning staff. ABAG is planning to have presentations at the local City Council and Board of Supervisor meetings.

Julie Pierce, ABAG President, gave the following update about the ABAG/MTC reorganizing proposal.

Member Pierce said MTC and ABAG have agreed to work together to hire a third party consultant to help them look at all options for how to work better together up to and including full merger. They are in the process of hiring a consultant and hope to have this process done by 12/6/2015. They really would like to have everyone involved and the community to attend the meetings to have their voices heard.

Ms. Chion said the Air District is working on a report "Planning Healthy Places" which provides guidance about how to address air quality issues in local plans and project

approvals. She said that today's session will give them a solid understanding of the economic prospective of Plan Bay Area. Ms. Chion gave an overview of both Items in the agenda packet. She also pointed out an upcoming event "Getting Ready For El Nino", and mentioned that Michael Germeraad, Resilience Planner at ABAG, is available for questions.

Vice Chair Gupta guided the Committee to Item 6.

6. PRELIMINARY REGIONAL FORECAST

Cynthia Kroll, ABAG Chief Economist, provided an overview of the regional forecast numbers for Plan Bay Area 2040, including context and methods, and preliminary projections for households, jobs, and population.

Member Eklund said they have here the Department of Finance (DOF) estimated amount and the Department of Finance projection, she asked to please explain the difference.

Ms. Kroll responded that the DOF puts out a couple of different series. They do their own projections and that's where the yellow column comes from. They do an estimate when the year arrives. The estimate for 2015 is done but they did their projections earlier and they ended up with a lower household size number for the Bay Area in their projections than they had in their actual estimate. She didn't think anybody was expecting quite the strength of growth that happened here over the last five years.

Member Eklund said DOF projections in 2015 were higher than ABAG's projections for *Plan Bay Area 2013*, could they please explain.

Ms. Kroll explained that DOF were projecting more households than actually happened, not anticipating higher household size. Because of the lack of building and high prices, they saw fewer households with more people per household. The point of the chart (Table 4 in the Memo) is that the DOF projection is now above the ABAG 2017 projection.

Member Eklund asked how the regional control total affects the regional housing need allocation (RHNA).

Ms. Chion said the RHNA number is defined by the California Department of Housing and Community Development (HCD). It is based on the household population within the region, as far as we have assessed these different calculations, the regional housing control total is for Plan Bay Area. They will have further discussion and conversation with HCD at the beginning of the next RHNA process.

Member Terplan would like the charts to be consistent in going up to 2040 instead of ending at 2010. He asked for clarity about how ABAG determined that there would be 600,000 jobs added between now and 2040.

Ms. Kroll said to look at the 1990 to 2010 number for employment; this is a region with very volatile employment sectors. At the same time, it's quite possible that they could go up another 300,000 jobs in the next twenty or twenty five years. It depends on whether they are forecasting for the peak of the cycle or for the middle or for the bottom; they try to forecast for the middle. Those numbers are particularly open for discussion. A number of those industries are already talking about being at capacity in the Bay Area and looking for other locations elsewhere in the US, out of California, or elsewhere in the world to expand now. They think there is a really good chance that expansion will slow and, at some point, there may be a downturn. Our Technical Advisory Committee had a split number and was concerned about housing constraints.

Member Terplan said with the ageing of the population, being a big piece of the population growth, would generate new types of service employment to serve that population. He asked for more information about how that affects the job growth.

Ms. Kroll said health and social services is growing very strongly. A significant part of that job growth is related to serving the older population.

Member Madsen asked whether the housing number on this presentation slide was the same that they built or some combination of building permitting between 2010 and 2015.

Ms. Kroll said that is the difference between the DOF estimate of housing units in 2015 and the estimate of housing units in 2010. That would be built minus whatever was demolished.

Member Madsen said theoretically that would mean, there is 808,000 units that are needed between 2010 and 2040 and they have around 60,000 that have already been built. He said he would like the number be clearer for the public to understand. He also asked why the forecast says that in-commuting is going down.

Ms. Kroll explained they were being very transparent in what they did. They used REMI to make these estimates and they had two different ways of making them. One estimate gave them a really reasonable commute number for 2010 but a decrease by 2040. The other estimate provided a more accurate reflection of what was likely to happen in the growth of in-commuting.

Vice Chair Gupta led the committee back to Item 3 to approve the minutes.

Member Romero asked to clarify the household numbers in the in-commute, are they living inside of the nine counties?

Ms. Kroll answered that those are households outside of the nine counties.

Ms. Chion clarified that the numbers for households, population jobs are not changing. The only adjustment is made to the housing number.

Member Romero said the increase in household size, anecdotally, is not due to household formation but it is due to overcrowding.

Ms. Kroll said overcrowding is a different concept than household formation. You could have larger households because people decide to live together in a multi-generational household. They might do that because of cost, or cultural reasons. Overcrowding is a very specific definition related to how many people per room, they have not entered that area. We would need more houses if we reduced our household size or household formation even more in 2040. That would be another possible discussion point. Other things that affect household size are the age of the population.

Member Romero wanted to make two points on household size. One, the increase in household size may be due to more people living in one home. Two, more people are having two or three babies.

Ms. Kroll replied, yes and that's exactly what happened between 2010 and 2015.

Member Romero explained that he thought he heard Ms. Kroll say that they don't have that information to say that that is what is happening—that people are either doubling up or that more seniors are moving in together because they can't afford the housing prices.

Ms. Kroll said they have not done an analysis to say that that is what is happening.

Member Romero asked whether the expected job growth is in more middle income jobs, lower income jobs, or more service sector jobs? That is a valuable piece of information that they really need to make sure they understand because the type of housing need it creates and who creates that housing will depend on the split. The market is not going to provide housing for low and moderate income.

Ms. Kroll agrees that this is one of the hardest things to do in a regional forecast. What many regions do is take the distribution they have and they move it forward so they assume it doesn't change proportionately. There were efforts last time and this time to take what was happening to the economy into account. It's certainly one of the areas where frequent updates will be very important.

Member Campos asked about cities and counties where the population estimates are consistently higher than actual population growth, and yet from an economist's point of view the area in which that city or county is located is experiencing significant increases in jobs and population. Is it fair to say that it is a policy choice that that community has taken in order to maintain a low population? In other words, there is no evidence that the economic forecasters were wrong or way off base by continually going back and saying, DOF or ABAG or someone keeps projecting more people in our community than they have. Is it not just as likely that that community has made the decision not to allow more

housing to be built and that were market forces allowed to function, the community would in fact have the projected population that most of the economists made?

Ms. Kroll said there is definitely a policy element to this. There is also clearly a lot of noise in any of these models. Certainly that's one element. Those decisions are made at the local level. DOF on the one hand says, "We can do our projections based on what we think those communities will really do." ABAG makes those projections partly based on an aspirational idea of what the region will be. That's one difference between what our two agencies are doing.

Member Engelmann said he is the unfortunate person that has to incorporate the forecast into their CMA models. The last time there was big discussion about annual housing production. Have they gone back and looked at what was the annual housing production in the Bay Area between 1990 and 2010 and how does this new forecast of 808,000 compare as far as annual productions between 2010 and 2040? Is it sustainable?

Ms. Kroll said she looked at those numbers; she does not have them in front of her. One of their requirements is not to do their projection based on past production levels. The argument that Member Campos was making is really why they pushed for that—to avoid simply forecasting a continuation of what has been. At the same time they want to be realistic.

Member Eklund asked how does the fact that the Bay Area economy is stronger than much of the rest of the state factor into what we are seeing with regards to our population growth and household growth.

Ms. Kroll answered that it certainly has influenced the last five years and in terms of the projections going forward they see an increase in the Bay Area share of employment and population going forward. That's a short answer. The longer answer is how long will people continue to flock here? As long as the jobs, opportunities, and vitality is here. If one of those leaves, we could see net out migration again very quickly.

Member Terplan asked for an overview of what happens from here till these numbers are finalized.

Ms. Kroll said they hope to have final numbers that will really be the base of the regional distribution numbers in January. They are definitely reviewing the employment level. They are reviewing the relationship between employment and population. They have pushed the household relationship as far as they can push it in terms of saying household growth will adjust to the number of people and what is available. It is really coming down to where they end up with employment and population goals.

Member Terplan said there are a lot of people saying that the Bay Area's inability to produce housing is having an impact on the national economy. If this region produced more housing there would be greater economic growth which would then have benefits.

Vice Chair Gupta summarized three issues from the discussion here. One, interest in the impact of the control totals on RHNA numbers. Two, regarding the employment growth, half of that employment growth forecasted has taken place. Third, regarding Member Romero's point, there is an economists' definition of household size which is basically family unit in terms of their birth rate et cetera which goes up and down depending on where the birth rates go up, household size goes up or down. Building housing units which have higher density than normal or higher than in the past. Those are some of the debates. We do this plan update every four years because we know it is not the perfect plan for the next twenty five years. He led the committee to Item 7.

7. A ROAD MAP FOR ECONOMIC RESILIENCE REPORT

Miriam Chion, ABAG Planning and Research Director introduced Micah Weinberg, Bay Area Council Economic Institute President, who presented a report on regional economic strategies.

Member Eklund said creating incentives for states and local governments to achieve goals that are national or statewide are really important; but taking away the legislative authority of governments, whether it's state or locals, goes counter to what our communities want. I was surprised that the Bay Area Council Institute didn't talk about Prop 13 where, change of ownership of houses, leads to increase in property tax and commensurate with the actual sale. That's not true for commercial developments. Local governments have the need to raise fees in order to process applications throughout because they do not get the property tax that is really needed. Why didn't the Bay Area Council Economic Institute take that issue head on?

Mr. Weinberg replied the problem is the relative advantage of permitting and building commercial property versus residential property. Right now, it's in the interest of all cities to build all the commercial property and have their neighbor build all the housing. This is the opposite of what a tax system is supposed to do. Our taxes, our regulations, our fees, you name it, all work against the economic well-being of the people in California.

Member Eklund said there are other concerns she has in some of their recommendations like taking away local approval authority if they do not achieve the RHNA. According to Mr. Weinberg's recommendations, cities and counties are going to be penalized for the fact that the building industry may not want to build that particular housing in that location where it was rezoned.

Mr. Weinberg said point well taken. Cities that demonstrate significant commitment towards trying to get the housing built in their communities are not the types of cities that would need to be held accountable.

Member Eklund said she is concerned about a lot of the recommendations and policy statements in here that really impinge on local control. This document will inform us as we go forward with Plan Bay Area 2040, but we're not necessarily going to be adopting this report's recommendations, correct?

Ms. Chion replied no. As Micah explained, this is input from the business community. This is an independent document meant to convey the perspective of the business community.

Mr. Weinberg said this is all designed to support the Plan Bay Area process. He does not necessarily personally agree with all of this. His job is to be a spokesperson for this particular process.

Member Eklund said *People, Places, and Prosperity*, on page 22, talks about this report and the fact that it will help inform the development of Plan Bay Area. She wanted to make sure that they say on the record very clearly that they are not approving the recommendations that are in Mr. Weinberg's report when they adopted the *People, Places, and Prosperity*.

Ms. Chion replied that is correct.

Member Terplan said the main recommendation that is being made is to tie regional funding to local action; they should not be rewarding communities that are not approving housing in line with regional goals. There is some new information that is coming out from analysis in San Jose that new residential development may, in fact, be fiscally positive. Cities may not or should not be making the fiscal argument against housing as much as they have been historically. They need to look at all housing together and how much revenue they get from it as opposed to just looking at new housing independent of existing housing stock.

Mr. Weinberg said not all new housing is negative. The higher density housing, the higher price point housing is not negative. The problem is the value of that housing erodes over time. Over time, even the very high density housing ends up being negative. He agrees that there are different considerations around density and price.

Member Terplan said they could design some kind of a tax sharing scheme where the money would go to a certain place and then could get redistributed based on some set of performance. When he looks at Mr. Weinberg's numbers and the numbers they just heard from Ms. Kroll from ABAG, Mr. Weinberg's numbers are assuming growth of 1.2 million jobs between 2015 and 2040, as opposed to 600,000 for ABAG. Job growth, on page 31 in Mr. Weinberg's report, 3.7 million in 2015 up to 4.9 million. Is that 1.2 million? That is double the number of job growth compared to the ABAG numbers. He asked what are your thoughts on the ABAG projection. Are they too low? Are they under assuming the Bay Area's ongoing economic performance?

Mr. Weinberg said UCSF is the most amazing medical research facility in the world. It's driving a tremendous amount of the regional economic activity. You would think that its major threat would be competitors or cost of health care. The number one threat to UCSF is housing. They cannot attract and retain the talent because of the cost of housing. If they do not build the housing, they will not get the economic growth. If you leave the series of policies in place, it becomes a self-fulfilling prophecy. He would not say that there is any technical difference or disagreement between the ABAG numbers

and the numbers that the business community is putting forward. It is based on a different policy environment.

Ms. Kroll mentioned that she did not want to leave the impression that their housing numbers are keeping them from getting 1.2 million more jobs. The 2015 number of jobs in the Bay Area is 4 million, not 3.7. They do have a difference of opinion with some of these other projections of 300,000 jobs, not 600,000. Theirs is not just a housing constraint issue at that point but it is also a question of the overall long-term competitiveness or long-term growth patterns of these industries. Let us not argue about whether it is 800,000 or 1.2 million housing units. Let's just get started building them.

Member Romero said it was interesting that BACEI led with poverty alleviation and income and equality as your frame, and then couched it within a neoliberal framework that if you want to have housing, you must remove the very constraints that many of us see actually producing the low income housing that is necessary, whether it is in lieu fees, inclusionary ordinances, impact fees, jobs, housing, or linkage fees. He wished that they would have had this conversation within these Sustainable Communities Grant process because they would have come up with a document that probably would have had some more conflicting pieces in it but probably there would have been some areas where both groups could have agreed. If they cannot generate housing at the price points for people who are working at UCSF, a medical brain trust, they are not going to be able with the sole use of the market—even if it's completely unrestricted—to generate the housing that they need for low income, working class, even middle income people. Some of the regional taxation measure is important. They have to figure out where that money might go.

Mr. Weinberg said it is a fundamental disagreement about economics and they do not have time to go into all of it. When you tax something, you get less of it. They have not had a market economy for the production of housing in California. Since the 1970s, there has been enormous market distorting policies and principles on the books. What they have been doing has gotten them a million units less in the Bay Area alone since 1980. They need to make housing affordable across the income spectrum.

Member Romero said there is no such thing as a perfect, rational market that will bring equilibrium. There is a reason you regulate the market because they do tend to go in the wrong direction. We disagree.

Mr. Weinberg replied it is not a disagreement.

Member Adams said she was unelected because she was trying to get some housing built in a derelict strip mall for redevelopment. Mr. Weinberg made a compelling statement that California has the highest rate of poverty. Is that really true?

Mr. Weinberg said yes. They have the highest rate of poverty in the nation, the highest rate, about 25.3%. This is not due to the absolute income. The thing that drives the cost of living in the state up more than anything else is lack of supply of housing.

Member Adams said these are my own comments, how do they look at issues like using housing for marijuana grow-houses or Airbnb for people to make money off of their houses that could be residences for people? She wanted to bring in the overarching picture of climate change because they are creating big problems related to how they use energy and resources. She would hope that the business community is looking at our planet 20, 30 years down the road.

Mr. Weinberg said climate change and sea level rise certainly part of that conversation.

Member Natarajan said one of the takeaways from what Ms. Kroll said was these are just numbers that can be tweaked around but what we need to get out of it is the policy discussions and analysis. She thanked Mr. Weinberg for giving them the business community perspective. Everybody raises a huge housing crisis and yet when the City of Fremont is looking at a project that's 70 units to an acre on a PDA site right next to BART, the community comes in and talks about how it's way too dense and they need to be at 30 units to an acre. Palo Alto talks about Manhattanization of their community because every house is becoming two stories. How will they translate this kind of conversation at a community level, otherwise, it is a complete disconnect.

Mr. Weinberg said for the most part communities in the Bay Area support the building of more housing. Many of them support the building of housing in their neighborhood, and many think it should all happen in San Francisco.

Member Regan said what the report says to him is that they have the absolute authority over zoning, planning, and permitting within their local community. They should not expect then to be rewarded by ABAG, MTC, or the merged body and receive regional planning dollars, transportation dollars that are meant to accomplish the objectives of Plan Bay Area. They should be using whatever carrots are at their disposal, maybe the occasional hammer to focus on growth, to build sufficient housing. If they want to remain a leafy suburb, fine. They should know that with that comes an expectation that they pay for their own roads. He is very happy Member Montano is here today because in the last RHNA cycle, Milpitas to the best of his knowledge, built 212% of its RHNA obligation. No?

Member Montana replied they are building 7,000 new homes in Milpitas and that's moving forward. One of the reasons is BART is going through there. She thinks the biggest problem is traffic congestion

Member Campos said what this region does not want is housing that is built on a par with job growth and market demand comparable to most other places in the United States. They are very much an outlier in terms of how few housing units they have constructed. The notion that the market has ever been allowed to try to satisfy the demand for housing in the Bay Area has been tried. Right now we have one policy that supplies most of the affordable housing in the Bay Area and that's inclusionary zoning. They disagree on whether it's effective, whether it's fair, whether it's legal. There is a shared interest between the advocates of inclusionary zoning and market rate builders to build the heck out of housing and have a certain percentage of the units affordable.

What would that coalition run into, headlong into Pat and local control and people that do not want more housing? The only way this region is ever going to get to do anything is if at the state level or the federal level someone says, if a housing project includes 20% affordable, it has to be approved because affordable housing is such an important societal goal.

Member Mitchoff has a community in her county with sixteen homeowners associations. If one homeowners association doesn't like a project in their community, the agreement is that the 15 others will come out against it. When they are saying that people want housing infill, at least in Contra Costa County, they do not. They do not mind having infill housing. They just do not want it in their neighborhood. People think they are paying way too much in taxes and they are not getting enough. They just see more people coming in and it is taking more away from them. I do not agree with them, I have 100% record on voting on housing. Maybe elected officials do not get what business they are dealing with. Business does not understand what they are dealing with. She has Concord Naval Weapons Station in her district. They are going to have a wonderful development. They are going to try and do it right but it is the last place in their county. East Contra Costa Fire District is a victim of Prop 13 because cities out there incorporated after Prop 13 passed. They have more people paying in a tax space but she cannot provide them fire services because they are not receiving enough money. There has to be some revolution. Until that happens, she, as an elected official, cannot justify more housing when she cannot provide fire protection.

Member Eklund said two years ago, she indicated at the ABAG General Assembly that the Bay Area really needs to have a region-wide discussion about carrying capacity. She wanted to call everybody's attention to a recent report that ABAG issued on the Bay Area's progress in meeting the 2007-2014 RHNA. You could see why it's a 5-0 vote to approve inclusionary zoning; building very low and low income housing units is really difficult. Milpitas, as the Bay Area Council said, built 200% of their RHNA. They built 49% very low income housing, 26% low, 60% moderate and 688% above moderate. How is that going to work for the health care workers who are paid \$9 an hour to take care of somebody who is 80, 90, or in their community 107 years old. The business community has to help build that very low and low. She called upon the building industry in the Bay Area, to start building housing units for their employees where they work. These discussions would be very helpful for the region; the missing people on this table are people from the public who really want to maintain a quality of life.

8. ADJOURNMENT

Vice Chair Gupta adjourned the Regional Planning Committee at 2:44 PM

The next meeting of the Regional Planning Committee will be on February 3, 2016.

Submitted:

Wally Charles

Date: January 10, 2016

For information or to review audio recordings of ABAG Regional Planning Committee meetings, contact Wally Charles at (510) 464 7993 or info@abag.ca.gov.