



Draft Plan Bay Area 2040 Comments

May 1, 2017

Metropolitan Transportation Commission
Association of Bay Area Governments

Via email to: info@planbayarea.org

Re: Draft Plan Bay Area 2040

To MTC and ABAG:

The Building Industry Association of the Bay Area respectfully submits these comments on Draft Plan Bay Area 2040 (“Draft”).

First, we appreciate and concur in the Draft’s unequivocal message that the Bay Area’s housing crisis is principally the result of the persistent failure of the region’s cities and counties to approve sufficient new housing production and that the consequences of this failure are dire. We wish to highlight in particular our strong agreement with the following key statements in the Draft:

- “Although the housing crisis has many components, the foundation of the crisis is simple: there simply isn’t enough housing, whether market-rate or affordable, given the growing number of residents and jobs.” (p.7)
- “Since 1990, other metropolitan regions with strong economies and growing populations...have permitted housing units at significantly higher rates than the Bay Area. Housing permitting in the Bay Area has been much more akin to slower growing, older metropolitan regions.... ” (p.8)
- “Generally..., the policy contributors—things that local, regional, and state government have the power to address or alleviate—fall into a few interrelated categories: regulatory barriers and tax policy changes that act to restrict the production of all types of housing, especially infill development, and insufficient support for affordable housing.” (p.9)
- “Barring action by policymakers, ‘in-commuting’ by individuals—those who commute in the region from surrounding areas but might otherwise live closer to their jobs if they were able to find housing to suit their needs—could increase by as many as 53,000.” (p.33)
- “There has also been insufficient progress in the production of ‘naturally occurring’ affordable housing—unsubsidized rental units that are affordable to low-and moderate-income households.

This has severely affected the region's low- and moderate-income households by further reducing the supply of new and existing affordable housing, whether government-subsidized or market-rate...." (p.10)

- "The prospects and benefits of home ownership are simply out of reach for many Bay Area households." (p.11)
- "While the cost of housing has increased significantly for both owner and renter households, renters are at a higher risk for displacement during periods of growth and expansion." (p.12)
- "There is a significant body of research showing that housing supply constraints lead to significant productivity, income and welfare losses." (p.16)
- "Researchers at Harvard have posited that the increasing prevalence of land use restrictions led to increased income inequality over the last 30 years compared to period from 1940 to 1980." (p.16)
- "Unlike many other policy areas, housing policy is something that local governments have significant control over." (p.20)
- "Instead of increasing housing supply to accommodate household and employment growth, for example, many local governments slowed permitting over time." (p.7)
- "The Bay Area can solve serious problems when citizens and key institutions—including business, government, academia, and the non-profit sector—come together to work toward common goals. Thus far, the Bay Area's residents and communities haven't made the same commitment to solving the housing crisis." (p.20)

We also commend the Draft for making clear that SB 375 imposes two—and only two—mandatory targets for each region's Sustainable Communities Strategy: "Senate Bill 375 mandates two...targets. First, Plan Bay Area 2040 must address climate change by reducing per-capita CO2 emissions from cars and light-duty trucks. Second, Plan Bay Area 2040 must include sufficient housing for all of the region's projected population growth, regardless of income." The 11 additional targets, as the Draft explains, are "voluntary." With respect to the voluntary targets, the Draft properly cautions that they are "aggressive and some are quite aspirational." This is important to keep in mind in current and future discussions about land use and transportation policy proposals aimed at the targets.

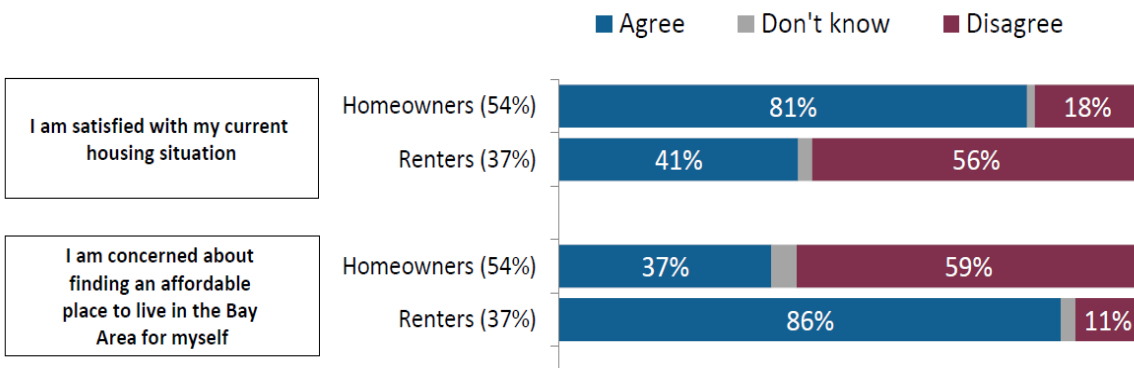
We acknowledge and appreciate the Draft's greater degree of transparency in identifying and explaining the various assumptions/policy levers that are used for modeling purposes in connection with the Draft's proposed land use pattern and transportation investment program as well as various alternatives. While there are some policy levers that we strongly support (such as entitlement streamlining and higher densities in PDAs and TPAs), there are others that would be counterproductive if implemented (such as mandatory inclusionary zoning and increased development fees). Importantly, the Draft makes clear that these assumptions/potential policy levers are just that: a mix of potential policy options among many others—"these measures are not prescriptive, and there are many potential public policy options that could help the Bay Area attain its adopted targets." (p.41)

We also believe the Draft can be considerably improved in the following ways:

- The Draft should lay the foundation for adding a target related to increasing Bay Area homeownership as part of the next major update to Plan Bay Area. The Bay Area lags in national homeownership rates and this has caused higher levels of economic insecurity and regional displacement. The holistic benefits of ownership are captured in a poll that BIA commissioned in 2016 showing that fully 81% of Bay Area homeowners are satisfied with their current housing situation as compared to just 41% of renters. This in no way diminishes the importance of significantly expanding the supply of rental housing in the region. It simply highlights the importance of increasing homeownership opportunities in the Bay Area.

Personal Effects of Housing in the Bay Area

There are very significant differences in opinion between homeowners and renters.



- The Draft should lay the foundation for re-examining the methodology for determining the region's long-term housing need. The current methodology suffers from the same fundamental flaws that characterize the RHNA methodology. These flaws have recently been highlighted by the California Legislative Analyst's Office (LAO). LAO has pointed out in particular the problem that the existing methodologies are driven largely by forecasts of population growth. Yet future population growth is largely a function of past growth, and prior Bay Area population growth has been significantly constrained by the region's refusal to approve adequate new housing. Future housing need must address prior production shortfalls and be keyed to production levels that will stabilize Bay Area home prices and rents.

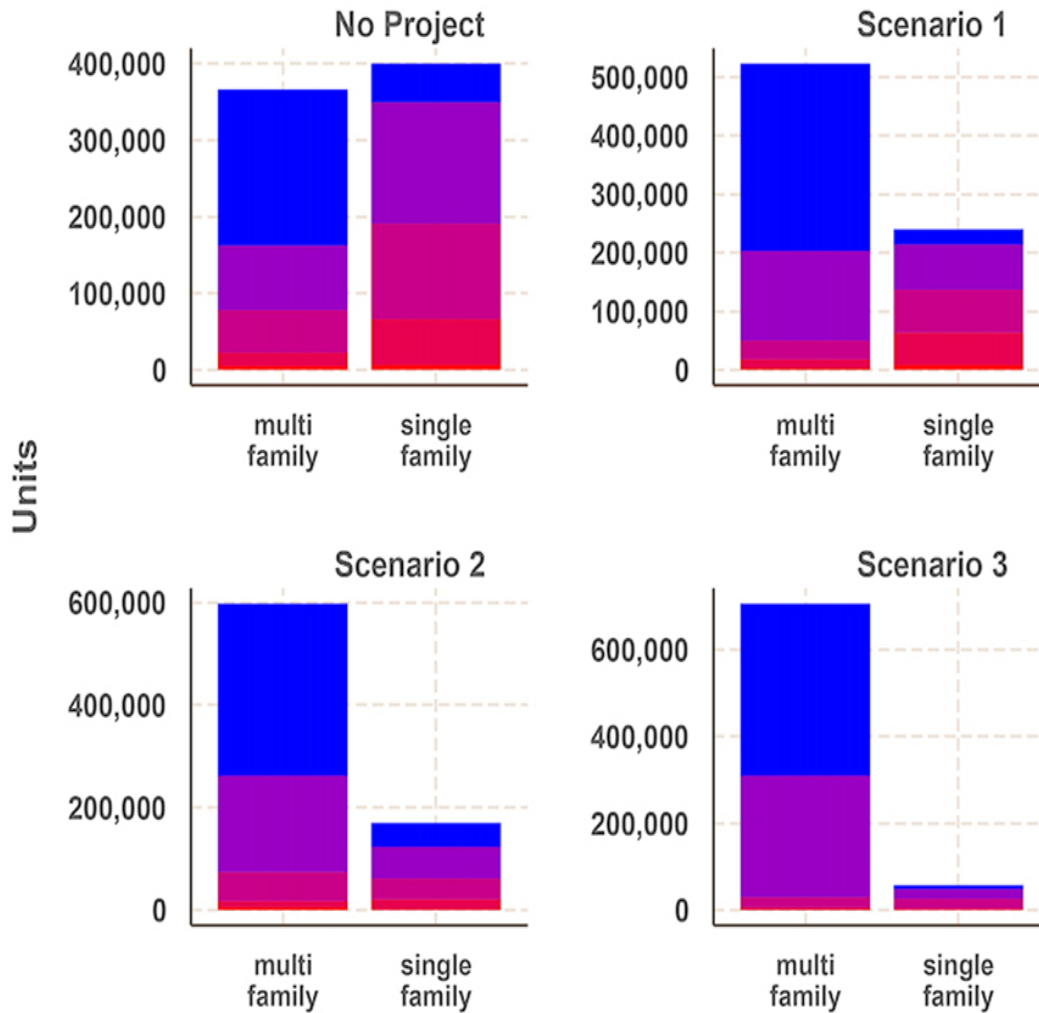
- Related to our concern about the lack of homeownership opportunities in the region is what we believe to be a disproportionate focus on multifamily housing to meet future housing needs, and corresponding policies disfavoring single-family detached housing. As stated above, we strongly support all types of new housing in the region—including multifamily housing (whether rental or for-sale). However, the Draft reflects a series of policy interventions that would, if fully implemented, dramatically decrease the number of future single family detached units compared to recent trends, market demand, and the policies reflected in existing local general plans. Single-family detached homes on smaller lots and within urban growth boundaries should not be targeted for intentional reduction any further than the region already has in practice. Such homes in suburban jurisdictions have provided the region with virtually all of its non-subsidized ownership opportunities for middle-class families in recent decades. As the currently adopted Plan Bay Area acknowledges, however (seemingly with approval), the region and its local governments have already significantly restricted those opportunities:
 - “The Bay Area in previous decades experienced a pattern of major suburban housing production and employment growth. For example, cities like Oakley, San Ramon, Brentwood, Windsor, Clayton, and Rohnert Park had grown 8 to 26 times their sizes since 1970 by 2010. At that time the development of subdivisions was supported by the expansion of the highway transportation network. This population provided a labor force for employment growth at suburban locations.”
 - **“The housing boom of the mid-2000’s expanded the supply of affordable suburban housing significantly.** With rising rents and home prices in communities close to the Bay, many renters and homeowners were encouraged to either seek environments with greater opportunity or sell their housings for larger properties farther from the central city and away from viable public transit. **This outward spread of growth has been addressed in part through the development of policies and regulations to protect open space, including the creation of urban growth boundaries and other land policy protection measures by local jurisdictions.”**
 - **“The boom years that defined and allowed for the past 40 years of housing development have passed.”¹**

¹http://www.planbayarea.org/pdf/JHCS/May_2012_Jobs_Housing_Connection_Strategy_Main_Report.pdf

Unfortunately, the Draft envisions using government policy to continue to induce this trend. Information released by ABAG and MTC during the Draft update process compared the number of future single family detached units under a “no project” scenario with the number associated with the Draft’s land use and transportation pattern (similar to that reflected in Scenario 2 in the Tables below). The information showed that without artificial government policy constraints and interventions, the share of future units would be roughly even. We believe that the region should not shut the door on smart suburban single-family detached homeownership opportunities. The demand for this type of housing remains strong and if it is not provided in the Bay Area, middle-class households with families will continue to be displaced to the Central Valley, Sacramento, and other states. There is adequate and appropriate land within existing cities and urban growth boundaries to accommodate much of this demand. And, as BIA’s 2016 poll also showed, between the various housing types, satisfaction is highest among single-family detached occupants (see below).

Difference in Building Type Across Scenarios

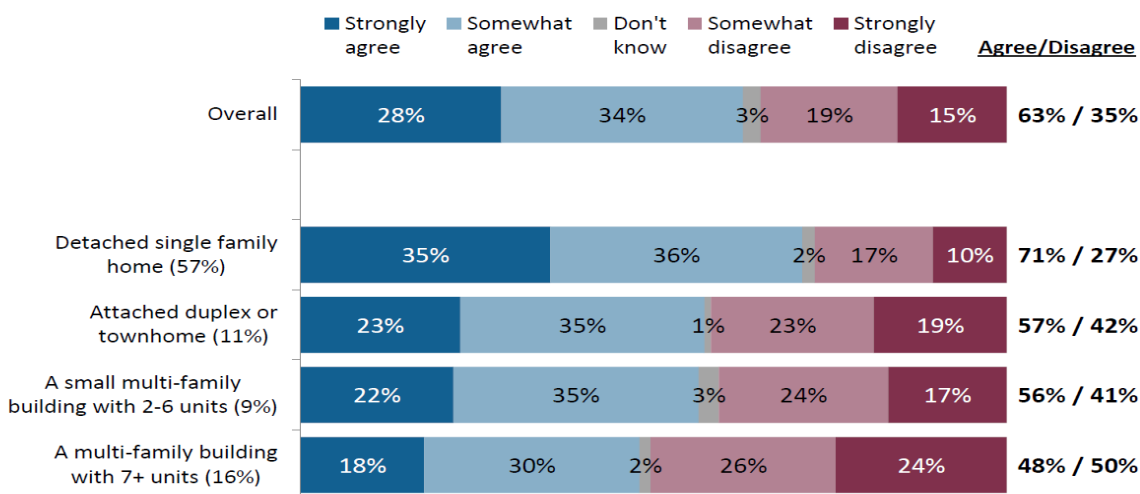
The "No Project" alternative illustrates trends assumed under adopted local general plans and zoning.



Source: ABAG analysis from MTC Urban Sim runs 1113 to 1116, March 2016

Satisfaction with Current Housing

Respondents living in detached single family homes express the highest satisfaction with their living situation.



Q15. I am satisfied with my current housing situation


16-6064 Bay Area Housing Survey | 7

- The Draft should provide the public with information on the total cost of subsidizing the affordable housing units envisioned in the proposed project and each alternative. The costs of constructing affordable housing based on location and type is an issue that is too often ignored in the region’s housing policy discussions. The agencies prepared a similar analysis for the current Plan Bay Area and the alternatives that were studied during its adoption but the information was not widely disseminated to the public. That analysis showed both average per unit cost to subsidize each affordable unit and the total subsidy required for the proposed project and each alternative studied. The average per unit subsidy ranged from \$43,000 per unit to \$163,000 per unit and the total subsidy from \$443 million to \$2.3 billion, depending on the scenario. This type of information is vitally important to enable decision makers and the public to make an intelligent and informed comparison between different housing, transportation, and policy alternatives.
- The Draft should also highlight the need to bring down the costs of constructing new housing—both market rate and subsidized affordable housing.
- Appendix 2 of the Draft (“Draft Statutorily Required Plan Maps”) should add language to clarify that the maps (which denote things like critical habitat designations and Williamson Act areas) are only for general information purposes and that they do not purport to have any independent legal effect. The current Plan Bay Area has language to that effect and we believe it is important to include it in the updated documents: *“Map is for general information. For more information on local zoning or designations for a particular site or parcel, please contact your city or county.”*

We have the following comments regarding the Draft Action Plan (Chapter 5):

- The language on p. 72 describing the results of the PDA Planning Grants should be clarified to reflect the fact that the funded plans have not resulted in **zoning** for 70,000 new housing units. We have confirmed with agency staff that some of the adopted plans included in the 70,000 unit figure still require a rezoning by the adopting local government. Because the practice of some local governments to require rezoning on a project-by-project basis is widely acknowledged to be an important constraint and impediment to the intended operation of several state housing reform laws (such as the Housing Accountability Act), it creates a misleading impression of the efficacy of the PDA Planning Grant program to describe it as having increased zoning capacity by 70,000 units. Unless and until the PDA Planning Grant program is reformed to require that zoning be adopted as part of any funding assistance, the term “planned capacity” should be used.
- We are pleased that the discussion on increasing community resilience does not call for increasing the stringency (and therefore cost burden) of California’s building standards for new construction related to seismic safety. In several previous planning initiatives, ABAG in particular has attempted to include language calling for local governments to impose more stringent seismic building standards. California already has the most stringent building standards in the nation and the costs of construction in the Bay Area are already excessive.
- With respect to potential economic development actions on p.76, the language in the discussion on a potential “Priority Production Area” program should be changed to reflect the policy discussions and deliberations taken at the Regional Policy Committee. In particular, it should be made clear that such an initiative would involve not only guidance on assessing what industrial lands might be candidates to preserve, but also identifying criteria to determine what current industrial lands should be converted to housing or mixed use development.
- We support the fact that the Action Plan does not include the proposals advanced by some groups for rent control, mandatory inclusionary zoning, just cause eviction, prevailing wage expansion, or other counterproductive policies either directly or as conditions of funding in OBAG 2.0.
- We agree with the need to continue to evolve and strengthen the tie between transportation funding and housing performance and we would like to see the focus be on housing production as the driver of transportation funding.
- With respect to the PDA Planning program, we support reforming the program requirements in the following ways:

- Only fund applications where the jurisdiction commits to adopting all necessary “legislative” entitlements, including general plan, specific plan, and zoning such that once adopted, no additional legislative approvals are needed.
- Require the plans to be adopted by a reasonable date certain.
- Require a commitment to keep the plan in place without downzoning the uses and densities once adopted.
- Provide for regular monitoring of the grantee’s consideration of housing projects in the area to ensure that applications are processed expeditiously and consistent with the Housing Accountability Act and other housing reform laws.
- Provide that if these terms are violated, the grantee jurisdiction will receive lower priority for future OBAG funds disbursed by either MTC or the CMAs.

Thank you again for the opportunity to comment.

Yours very truly,

A handwritten signature in black ink that reads "Paul Campos". The signature is written in a cursive, flowing style.

Paul Campos
Sr. V.P. & General Counsel