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CAO



May 3, 2017

Metropolitan Transportation Commission
Association of Bay Area Governments

Re: *Draft Plan Bay Area 2040 Comments*

To MTC and ABAG:

North Bay Leadership Council respectfully submit 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 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.
- 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. There is adequate and appropriate land within existing cities and urban growth boundaries to accommodate much of this demand.

- 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.
- 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 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.

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. 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.

Sincerely,

A handwritten signature in cursive script that reads "Cynthia Murray".

Cynthia Murray
President & CEO