



SFMTA | Municipal Transportation Agency

**SAN FRANCISCO
PLANNING DEPARTMENT**

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Metropolitan Transportation Commission
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Subject: San Francisco Comments on the Plan Bay Area Draft Preferred Scenario

Dear Mr. Heminger and Mr. Paul:

The San Francisco Planning Department (Planning Department), the San Francisco County Transportation Authority (Transportation Authority), and the San Francisco Municipal Transportation Agency (SFMTA) appreciate the opportunity to participate in the development of Plan Bay Area 2040 (PBA 2040) over the past year, and the efforts that MTC and ABAG staff have made to meet with us and respond to our questions and concerns. This letter consolidates San Francisco agency input on the Draft Preferred Scenario, focusing primarily on the land use scenario based on the newly provided underlying data.

Overall we appreciate that the transportation investment scenario supports San Francisco's transportation policy and project priorities, which is critical given the land use scenario's proposal for the City to absorb a great amount of the region's jobs and housing growth through 2040. To support access to the jobs and housing allocated to San Francisco, we need to translate PBA 2040 recommendations into real transportation dollars, made available early in the plan period, to support state of good repair, Vision Zero safety improvements, and transit modernization and capacity expansion.

We feel the land use scenario assumptions for San Francisco are ambitious but achievable. For instance, the housing growth assumed for San Francisco far exceeds both historic and recent annual average production numbers. Even with our recent housing bond, we will need substantial additional revenue sources and new policy tools to help us achieve and sustain the higher level of production assumed in the Draft Preferred Scenario. These are not only San Francisco issues—the entire Bay Area needs to confront this housing crisis.

Despite these ambitious goals, the Draft Preferred Scenario fails to meet the Plan's affordability and anti-displacement targets and this outcome is simply unacceptable. The Bay Area's ability to be a place of diversity, opportunity and innovation is severely threatened by this housing crisis. We urge MTC and ABAG to lead the region in an effort to determine what it would take – investment, policy tools and legislative approaches at all levels of government – to meet those targets. Further, we ask the regional agencies to concurrently develop an implementation plan, with specific suggestions for new policies and tools to enable the Bay Area to meet the affordability and anti-displacement targets. This work should be completed by the time PBA 2040 is adopted in Fall 2017.

Our detailed comments on the Draft Preferred Scenario are listed below. We look forward to continuing to work with MTC and ABAG staff to refine the Draft Preferred Scenario, to develop a regional implementation action plan to address the critical housing affordability and displacement challenges facing the region, and to finalize PBA 2040 in the coming year.

Draft Preferred Land Use Scenario

While the housing and jobs projections for San Francisco are ambitious, we believe they are possible with commensurate transportation investment and with new revenues, policy, and legislative changes to support and sustain increased housing production levels, while mitigating displacement risk. We recognize the role that San Francisco, along with Oakland and San Jose, play in the Draft Preferred Scenario which focuses a significant proportion of growth in the Big Three Cities, as is appropriate for reducing the region's greenhouse gas emissions, concentrating the region's growth within its already-urbanized footprint, and meeting other performance goals through 2040. Specific comments relative to the Draft Preferred Land Use Scenario are as follows:

- **Annual housing production rate is appropriate but ambitious for San Francisco (and much higher than current production) without additional tools and resources.** San Francisco has capacity under existing zoning and plans underway for more than the 128,000 units proposed in the Draft Preferred Scenario (which is a 33% increase over PBA 2013 allocation). At peak production rates over the past decades, the City has struggled to exceed 3,500 units annually. Recession years have dipped our production substantially lower. This is despite a current pipeline of over 40,000 entitled units and over 20,000 presently under review. The Draft Scenario calls for average production of 4,900 units annually over the next 25 years.
- **Job growth is significantly higher than what was assigned in PBA 2013 for San Francisco.** San Francisco historically has been and continues to be a sensible and desirable place for job growth regionally, considering its centrality, excellent transit access, dynamic urban environment, walkability, and willingness to accommodate housing. The aggregate jobs allocation for San Francisco is 70% higher than the PBA 2013 (311,000 vs 190,000). While plausible, this depends substantially on densification of existing space. Accounting for the job growth that already occurred in San Francisco between 2010-2015, the growth rate suggested for the next 25 years is approximately 8,900 jobs annually (compared with greater than 20-30,000 for each of the past five years, and 13,000 annually over the past ten). This is slightly higher than the average rate over the past 20 years of 7,500 jobs per year. With our annual metering restriction (i.e. Prop M) of just under one million square feet of office space per year (approximately 4,000 office jobs), prices for commercial space are likely to continue to rise, forcing much of the projected job growth to be directed to existing buildings and pricing more sensitive firms and organizations out of the City, most likely to Oakland, but many also out of the region. Densification in existing space is a key aspect of capacity that the City cannot regulate or affect and can mostly just speculate as to potential overall capacity and likelihood or pace of such absorption. The Planning Department has estimated a potential capacity for citywide office densification between 60-70,000 jobs, which would more than be accounted for by the Draft Preferred Scenario.
- **We question the projected loss of retail jobs in the City,** as retail job growth generally tracks overall job growth and economic activity, along with population growth.

- **The plan needs more explicit and proactive measures to grow middle-wage jobs in the region.** The concept of establishing Priority Production/Industrial Areas (which may overlap with PDAs) is one important implementation strategy that must be further developed. **Distribution of growth within San Francisco should reflect local plans.** The Planning Department has been working with ABAG and MTC staff to make final redistributions of proposed growth within the city to be consistent with current plans and policies. While some improvements to align with local plans have been made from the three draft scenarios presented in May, there still exist some unrealistic discrepancies that should be rectified. Particularly given that at an aggregated citywide level the control totals can generally be accommodated, there is no reason for such PDA-level discrepancies with local plans. For San Francisco, notable over-allocations were shown on the housing side to Mission Bay, Bayview/Hunter's Point Shipyard-Candlestick, Treasure Island, and the Port, and on the jobs side to Downtown-Van Ness-Geary, Balboa Park, Mission Bay, and non-PDA areas. Substantial capacity exists in other PDAs for reallocating all of those households and most of the jobs. Supporting data has been provided to ABAG/MTC.
- **Outside of San Francisco, we see a mostly "business as usual" approach to job growth, reflecting existing trends and not the Plan's policy goals for balanced communities of transit-oriented job growth in communities that also welcome robust housing growth.** Specifically, we question the apparent shift of jobs from PBA 2013 from Oakland and San Jose to the inner East and West Bay communities, particularly given the housing deficits in those communities. This is not where we want to be as a region in terms of sustainable growth near transit and housing – particularly given that both Oakland and San José function as major regional transit hubs.

Draft Transportation Investment Strategy

We are generally encouraged by the direction of the draft Transportation Investment Strategy, which reflects many of San Francisco's policy goals and project priorities. In particular, we are pleased that:

- All San Francisco projects that must be included in PBA 2040 to move forward are included either in whole or through planning capacity.
- The Plan includes a strong focus on fix-it-first for both local streets and roads and transit; the latter has a higher proportion of funding compared to PBA 2013.
- The new emphasis on core capacity transit investments is crucial to the success of the regional transportation system and our regional economy, particularly in the Transbay Corridor.

The following are specific comments on the Draft Transportation Investment Strategy:

- As one of the three big cities taking on most of the region's projected growth, San Francisco is willing to do our part but needs **MTC to direct "real" transportation dollars early in the Plan period to support state of good repair, Vision Zero safety improvements, and transit modernization and capacity expansion** that support access to the assigned jobs and housing within San Francisco, and that support a balanced community.
- We look forward to working with MTC to advocate for and secure new revenue sources to help implement PBA 2040's transportation investment strategy such as a Regional Measure 3 bridge toll increase and potential new state and federal sources.

- **To provide some near-term relief for affordability and displacement pressures, we urge MTC to accelerate funding for the Lifeline Transportation Program, means-based fare implementation, Community Based Transportation Plans, late night transportation, and regional PDA Planning grants for neighborhoods facing high displacement risk.**

We are seeking clarifications and additional detail on certain proposed investment strategies and appreciate MTC's work to provide this information prior to the release of the Final Preferred Scenario, namely:

- Reconfirmation of existing Federal Transit Administration New Starts/Small Starts/Core Capacity priorities and addition of new ones:
 - Downtown Rail Extension
 - Geary Bus Rapid Transit
 - BART Core Capacity Project
 - Caltrain Electrification
 - Better Market Street
- Detail on the distribution of State of Good Repair funding for local streets and roads, particularly from regional discretionary sources. We want to ensure we are receiving a commensurate share of regional discretionary dollars and not being penalized for seeking and securing new local dollars. We understand that MTC staff is working to provide the requested detail later this month.
- Clarification on how MTC will adjust funding and project/program priorities if the transportation and housing revenue measures across the region are not approved in November.

San Francisco has successfully secured local revenues for transportation and housing and is continuing to seek additional revenues given insufficient and unreliable state and federal funds. We have a local sales tax and vehicle registration fee committed to transportation. As you know, we are also seeking voter approval to commit additional local funding for transportation through our charter amendment on the ballot in November. **However, local funds are not enough to meet our needs as one of the three big cities taking on the most job and housing growth in PBA 2040.** We need a meaningful near-term commitment of regional discretionary dollars to support the proposed growth.

Poor Performance of Draft PBA 2040 Regarding Housing Affordability and Displacement

The poor performance of the draft Plan Bay Area 2040 on the anti-displacement and housing cost burden performance measures underscores that the housing affordability crisis is the number one issue facing our region. We understand that there are limited tools presently at the disposal of both MTC and ABAG, but we support the regional advocacy organizations' call for action on this topic. We look forward to working with the regional agencies and local partner jurisdictions to address these and offer the following comments to that end:

- **All jurisdictions, particularly those in the inner Bay region with high quality transit service and large opportunity sites of regional significance, need to take their fair share of housing.** Furthermore, it is not sufficient to simply include housing targets in PBA

2040 – there must be real ways to ensure good faith efforts for jurisdictions to take action to pursue of the housing target.

- **We need regional and state-level structural reform, with real teeth, to ensure adequate housing production and resources region wide.** Despite the dismal projection that even the significantly more aggressive policy-oriented housing production levels assumed in the Draft Preferred Scenario fail to make real progress toward the affordability/displacement targets, the region is not even going to achieve that poor equity outcome (e.g. 67% of low income household income being spent on housing and transportation) because of constraints in production, many cities not doing their part, lack of funding, and no teeth to enforce the Plan. The current case of the Brisbane Baylands is the prime example of the problem. The Draft Preferred Scenario calls for 4,400 units for this opportunity site of regional significance, the property owner is proposing 4,400 units in a mixed use project, but the local jurisdiction has signaled no willingness to allow housing and there appear to be no meaningful ways to compel such consideration. This dilemma completely undermines the effectiveness of PBA at its root and any hope of meeting the challenges of affordability in the region.
- **Concurrent with finalizing PBA 2040, MTC/ABAG staff must develop an implementation plan with specific suggestions for new policies, resources and a legislative agenda necessary to meet these goals.** The following are a sampling of concepts which should be included in the discussions and investigations:
 - Aggressively providing or seeking additional stable funding for housing production and preservation at the regional level, which could include:
 - A regional measure to enact a regional jobs-housing linkage fee (i.e. assessed on new commercial construction to be used for affordable housing), whereby cities would be exempt if they already have a fee or adopt their own fees equal to or greater than the regional fee.
 - A regional housing trust fund and/or financing pool. Critical uses for the funds would include land acquisition and infrastructure costs of major housing opportunity sites. The latter would expedite housing construction for identified major sites of “regional significance” that could produce thousands of units but are held up by huge up-front infrastructure lifts.
 - Given that the above two suggestions may take time to materialize and given the urgency of the situation, to inform the implementation plan, MTC/ABAG should establish a pilot program, to see what it really takes to produce affordable housing and, if possible, also address jobs displacement at the same time. An ideal pilot would use regional funds (perhaps NOAH, TOAH) leveraging local dollars to fund similar efforts in 2 or 3 locations facing high displacement risk to see what works in different locations/types (e.g. big city, suburb)
 - Advocating for significant state funding for housing including permanent dedicated source(s), which could, for example, be funded through commercial property tax reform.

- Pursuing state legislation to increase housing production and compel local jurisdictions to zone for and entitle housing consistent with regional sustainable communities plans. Such reform could build on SB 375 and strengthen the RHNA and SCS process, with real consequences at the state and regional levels for jurisdictions that don't do their fair share. Successful examples in other states include the Growth Management Act in Washington State.
- Pursuing state legislation to improve tools to maintain existing housing stock of rent-stabilized units, protect existing tenants and to enable production of new below-market-rate rental units:
 - Ellis Act reform to allow local jurisdictions to limit removal of rental units and to provide for adequate relocation costs commensurate with local conditions.
 - Legislative reform to address the Palmer ruling and the Costa Hawkins law, such as to allow newly-created rental housing to be rent-restricted such as for inclusionary housing. Taken together, Costa Hawkins and the Palmer decision present a significant challenge to San Francisco's ability to create and maintain new affordable housing.

We look forward to working with MTC and ABAG as Plan Bay Area 2040 is finalized, adopted, and implemented, and again thank both agencies for this opportunity to provide input.

Regards,



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