

OneBayArea

Date: July 5, 2011

To: MTC Planning Committee
ABAG Administrative Committee

From: Executive Director, ABAG

Re: Sustainable Communities Strategy (SCS) Land Use Scenario Assumptions

This memo provides an overview of the land use assumptions that will guide development of the alternative scenarios of the Bay Area's Sustainable Communities Strategy.

Background

Under SB 375, the adopted Sustainable Communities Strategy (SCS) must be based on a forecasted land use pattern that utilizes reasonable planning assumptions. Based on the SCS Alternative Scenarios concepts, staff has developed additional details for the five alternatives.

The two unconstrained scenarios—Initial Vision Scenario and Core Concentration—are based on identifying areas within the region that could potentially meet the region's total housing need. Staff has not yet performed sufficient analysis to identify the level of public resources required to implement such a strategy, but our preliminary assessment indicates that it may exceed a reasonable forecast. Although these two scenarios may not meet the requirement that the SCS be based on a reasonable forecasted land use pattern, what we learn about the policies and resources needed for the region to meet the total housing need will inform the development of the final SCS scenario.

The remaining three scenarios (Focused Growth, Core Concentration, and Outer Bay Area Growth) are based on a more financially attainable economic and housing forecast and utilize reasonable planning assumptions. For this reason, this report focuses on these three scenarios, with some additional discussion of the unconstrained scenarios at the end of this report.

In addition, regional agencies staff have responded to concerns raised by equity advocates by explaining and adding specific equity inputs into the Focused Growth, Core Concentration, and Outer Bay Area Growth scenarios. The memo "Response to Equity Groups Regarding Sustainable Communities Strategy (SCS) Land Use Scenario Assumptions" describes in more detail how these concerns were addressed.



Forecasted Constrained Scenarios

The three moderate growth scenarios are *Focused Growth*, *Core Concentration*, and *Outer Bay Area Growth*. These three scenarios take into account reasonable planning assumptions related to funding availability. All three scenarios assume higher rates of employment growth and housing production than the Bay Area has experienced over the previous 20 years. In order to achieve these results, these scenarios assume that over the next 30 years there will be significant reforms in State and regional policies and the availability of new funding sources for affordable housing and infrastructure that replace redevelopment financing.

Land use decisions are governed by local jurisdictions and are a local responsibility. The land use assumptions utilized in the scenarios are based upon local input and strong coordination among local and regional agencies.

Land Use Patterns and Strategies

Focused Growth Scenario

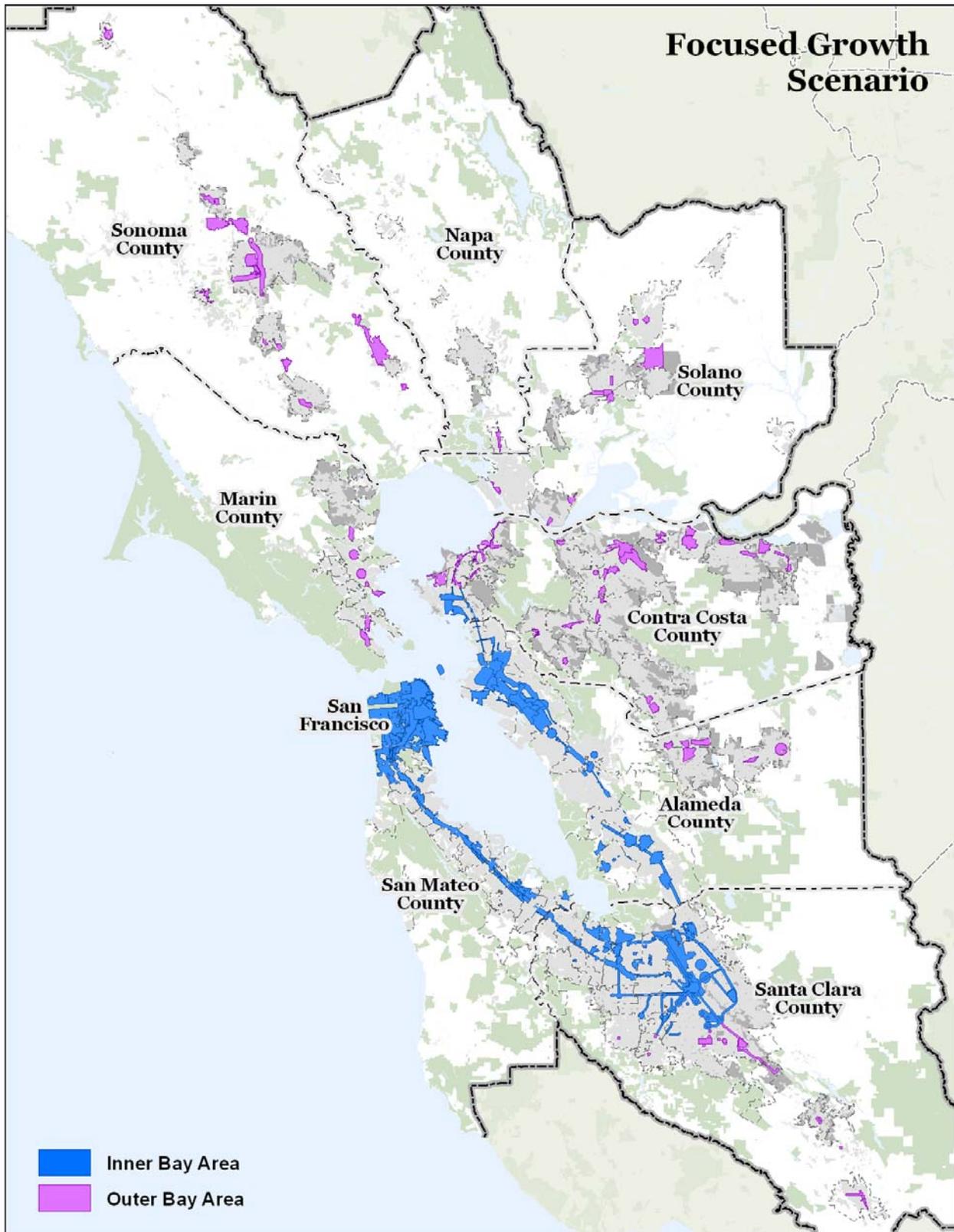
This scenario maximizes the potential of the Priority Development Areas (PDAs)¹ to accommodate household and job growth across the region with an emphasis on density along several transit corridors in the Inner Bay Area (the map on page three shows how this is defined). This scenario would intensify growth in all PDAs, with an emphasis on growth in the PDAs along the major transit corridors. It is expected that around 70 percent of the housing production and around 55 percent of the employment growth would be accommodated within PDAs. Putting more homes and jobs near transit would provide residents and employees with increased access to jobs and services, while providing the densities needed to support more robust transit service.

The growth within the PDAs would be based on the place type proposed by the local jurisdiction and would be tied to input provided by local jurisdictions on the level of growth they can reasonably accommodate given their resources, local plans, and community support. Except for the major cities, where high-rise buildings are considered, most other places would be expected to build three- to five-story buildings of wood frame construction.

Core Concentration Scenario

This scenario builds upon the pattern of growth outlined in the Focused Growth scenario, but shifts additional growth toward the regional and city centers in the Inner Bay Area, to take advantage of the core transit network. This would result in a more compact development pattern, but within reasonable financial constraints. By concentrating more growth in the city centers and regional centers, it goes even further than the Focused Growth scenario in trying to maximize the use of the existing transit network and provide access to jobs and services to most of the population. It would include a higher number of steel frame buildings and higher densities in regional and city centers than in the Focused Growth or Outer Bay Area Growth scenarios.

¹ ABAG/MTC staff expect to expand the PDA framework to incorporate the Growth Opportunity Areas that were identified during development of the Initial Vision Scenario. As a result, the term PDAs in this context refers to both PDAs and Growth Opportunity Areas.



Outer Bay Area Growth Scenario

This scenario also builds upon the Focused Growth scenario, but incorporates a regional employment analysis to address higher levels of growth in PDAs in the Outer Bay Area than those considered in Focused Growth and Core Concentration. Most of the housing production and employment growth would still be accommodated in the Inner Bay Area. However, this scenario would cluster jobs and housing in key transit-served locations as a way to promote economic development and greater access to services and amenities in the Outer Bay Area. Office parks in the Outer Bay Area would be assumed to grow faster in this scenario than the others and would be supported by increased density of PDAs and cities in the Outer Bay Area. While increased use of public transit would be very limited in the Outer Bay Area, some shorter commutes could be expected as jobs are created closer to some primarily residential communities. This scenario would consider intensifying existing office parks, downtown centers, and PDAs in the Outer Bay Area through construction of three- to five-story buildings and town houses.

Scenario Assumptions

All of the scenarios are developed based on growth and land use assumptions that pursue a pattern of sustainable and equitable development. These assumptions guide the scale and location of jobs, housing, and services included in the scenarios.

Community Building

- *Complete communities:* The SCS is intended to pursue the development and strengthening of complete communities to enhance the quality of life in all neighborhoods and centers throughout the region. Some places already have strong complete communities and could accommodate additional population; other places could accommodate growth but need additional support to strengthen their urban qualities. PDAs emphasize residents' access to transit, jobs, stores, quality schools, health services, and entertainment. They also encourage focused employment growth supported by transit, services, and amenities, with the exception of industrial and agricultural employment that have specific land and road requirements. The purpose of the complete communities framework is to use the PDA development process to enhance the quality of life for all residents and workers, current and future, without displacing the existing community. The alternative scenarios will identify some of the policies and investments required to achieve a complete community in each PDA.

Some of the growth in each of the alternative scenarios will also be directed to areas outside of the PDAs that have the characteristics of a complete community. The proportion of growth outside of the PDAs will vary across the three constrained scenarios, depending on the extent to which growth is concentrated in the core of the Inner Bay Area. In all three scenarios, this non-PDA growth will be distributed based, in part, on factors that contribute to neighborhood quality of life, such as access to jobs, transit, services, and quality schools.

- *Place types:* In order to recognize the diversity of places with various development expectations throughout the region, we have defined ten different place types that capture a wide range of urban and rural qualities. Each place type identifies spatial, economic, and social qualities such as the concentration of jobs and housing, levels of transit service, range of building heights and densities, and the diversity of shops and services. Local jurisdictions have chosen a place type for each PDA according to the vision of growth and development they want to pursue in the area. For example, Sonoma has chosen The Springs as a *Rural Mixed-Use Corridor*, cities in San Mateo County and Alameda County have designated portions of the Grand Boulevard and San Pablo Avenue corridor as *Mixed-Use Corridors*, Santa Rosa has designated its downtown as a *City Center*, and San Jose has designated its downtown as a *Regional Center*. The designated place types will guide the distribution of growth in the alternative scenarios. Overall, more growth will be expected in regional and city centers, which will have more buildings of three to ten stories. Less growth will go to rural towns and transit neighborhoods, where most growth will be in townhouses and wood frame buildings of two to five stories.

Growth and Land Use

- *Total regional growth:* Total household and employment growth for the constrained scenarios remains to be defined in consultation with forecasting and regional planning experts. We expect to have a slower pace of growth in the early part of the 30-year period, with faster growth closer to 2040. Total household growth by 2040 would be within the range of 600,000 to 900,000 households. While striving to get as close to the housing need of approximately 900,000 units, the constrained housing forecast will be established based on an assessment of economic growth, financial feasibility, and reasonable planning strategies. Household growth will be forecasted by income level. Employment growth would range between 0.8 and 1.2 million additional jobs. This employment growth is lower than previous forecasts but higher than the trends over previous decades.
- *Population growth:* The scenarios will utilize population growth estimates informed by the 2010 Census data. Based on expected demographic changes in the region's population, it may be possible to establish different thresholds for the number of persons per household and employed residents per household in the Inner and Outer Bay Area. This is related to the growth of our senior population and minority groups. For example, given some growth of multigenerational households and some seniors aging in place, we expect higher household and employed resident density in the Inner Bay Area.
- *Housing production:* The scenarios are designed to improve the quality of housing and access to affordable housing for the entire population in the region. The production of workforce housing in PDAs will be crucial to support sustainable and equitable development. Considering the housing affordability challenges in the region, the scenarios will maximize the production of housing for the low-income and very low-income population at various place types and locations. Different levels of affordable

housing subsidies will be considered across place types. The scenarios will assume policies to retain housing affordability and minimize displacement. No decline in the very low-income or low-income population will be assumed in any of the alternatives. In alignment with the Regional Housing Need Allocation (RHNA) under state regulation, the scenarios will assume each jurisdiction will produce housing that addresses the regional needs of all income groups. No jurisdiction will be assumed to produce housing exclusively for one income group.

Employment, Environment, and Equity

- *Employment:* The scenarios will consider various options for the distribution of employment that will support economic growth across various place types. Each place type is defined by the scale and density of employment and combination of industry groups. Over the next 30 years, professional services and knowledge-based industries are expected to experience the highest growth while manufacturing will significantly slow down across the region. Major employment centers with leading industries are expected to carry a high share of the employment growth. However, scenarios will also assume that small office parks increase their employment density, services, and transit services, and small downtowns strengthen their local services.
- *Environment:* The preservation of farmland and open space can ensure that Bay Area lands will provide clean water, local food, diverse habitats to support a variety of native plants and animals, and recreational opportunities. It further presents an opportunity to remain economically viable by attracting businesses, workers, and visitors that value these lands for their contribution to the quality of life in the Bay Area. To support the goal of open space and agricultural preservation, the alternative scenarios maximize development in the urban footprint, with the benefit of decreasing development pressure on these lands.
- *Equity:* Social equity means increasing access to opportunities and improved quality of life for residents of all neighborhoods in the region. It is the fair and equitable distribution of economic benefits and costs, social benefits and costs, and environmental benefits and costs among all communities. This includes not only an equitable distribution of resources for current residents throughout the Bay Area, but also equitable provision of resources for future residents through an adequate supply of housing options, transit accessibility, and healthy and sustainable communities.

Social equity is promoted in the alternative scenarios through the emphasis on encouraging growth in complete communities, both in PDAs and in the areas outside of PDAs. In addition, each of the alternative scenarios will also distribute growth in a way that ensures that each jurisdiction is planning to accommodate a minimum percent of the housing need it is expected to generate based on factors related to demographic change and household formation. The minimum threshold will be informed by the discussion and analysis at the SCS Housing Methodology Committee.²

² The SCS Housing Methodology Committee is currently considering a minimum threshold of 40 percent.

The three constrained alternative scenarios will also promote social equity by projecting a greater diversity of housing choices across jurisdictions. This is based on the concept embedded in RHNA that encourages access to affordable housing in all jurisdictions and seeks to avoid concentration of households by income. As proposed, the income allocation method gives jurisdictions that have a relatively higher proportion of households in a certain income category a smaller allocation of housing units in that same category.³

Consistency Between the SCS and RHNA

SB 375 requires the Regional Housing Need Allocation (RHNA) to be consistent with the SCS. To promote this consistency, the methodology for the RHNA allocation will be based on the growth pattern shown in the Preferred Scenario of the SCS. Here, we are also proposing that elements of the proposed RHNA methodology (including the minimum threshold for household growth, the use of “quality of life” factors to distribute growth, and the changes to the income distribution) be incorporated into the development of the alternative scenarios.

The alternative scenario evaluation will help inform the selection of a Preferred SCS. Once the Preferred SCS is selected, it will form the basis for the RHNA allocations to each jurisdiction for the period between 2015 and 2022 using the total housing need determination provided by the California Department of Housing and Community Development (HCD). As currently proposed, the RHNA methodology includes the following components:

- **Sustainability Component**
 - Housing and job growth in PDAs from SCS Preferred Scenario
- **Fair Share Elements**
 - Upper housing threshold (110 percent of household formation)
 - Minimum housing floor (40 percent of household formation)
 - Quality of life factors outside of PDAs
 - Income allocation (175 percent shift towards regional average)

More details about the RHNA methodology are available on the One Bay Area website at: http://www.onebayarea.org/plan_bay_area/housing.htm.

In conclusion, these assumptions translate into three major criteria for the development of the alternative scenarios:

- (1) Sustainable and complete communities’ growth would be captured in the PDAs, which is largely informed by input from local jurisdictions. This is expected to account for around 70 percent of the total household growth and 55 percent of employment growth.
- (2) The complete community and quality of life criteria would be applied to the growth outside of PDAs and would include factors such as good transit service, high quality schools, or employment.
- (3) Distribute household growth in a way that promotes social equity and a greater diversity of housing choices in all jurisdictions.

³ The SCS Housing Methodology Committee is currently considering a 175 percent income shift.

Comment on the Unconstrained Scenarios

The **Initial Vision Scenario** was completed in March 2011 as the first approach to the SCS. This scenario assumed a strong economy and unconstrained resources for housing production. It assumed the transportation network proposed in the last Regional Transportation Plan (T2035) with a significant increase in bus service. This scenario was designed to meet the housing target. The analysis of greenhouse gas (GHG) emissions resulted in a reduction of 12 percent by 2035, which was short of the target of a 15 percent reduction.

The **Unconstrained Core Concentration** scenario modifies the Initial Vision Scenario to achieve the targeted 15 percent reduction in GHG by concentrating development in the Inner Bay Area and introducing additional land use policies and transportation investments. As with the Constrained Core Concentration scenario, this scenario shifts growth toward regional and city centers in the Inner Bay Area for a more compact development pattern by 2040. However, it also assumes a strong economy and unconstrained resources for housing production. It includes a higher number of steel frame buildings and higher densities than in the Initial Vision Scenario. For transportation, it assumes the transportation network proposed in T2035 as well as the resources needed to increase bus service and implement other transit and infrastructure investments. Overall, it maximizes the use of the existing transit network and provides improved access to jobs and services to most of the population.