TO: MTC Planning Committee, ABAG Administrative Committee DATE: March 1, 2013

FR: Executive Director, MTC
Executive Director, ABAG W.I.

RE: Priority Development Area (PDA) Feasibility and Readiness Assessment

Background

In July of last year, the Bay Area Business Coalition and several developers raised concerns about the significant amount of growth that was allocated to the region's PDAs in *Plan Bay Area*'s *Jobs-Housing Connection Strategy* (JHC) and whether the PDAs would be able to accommodate this growth. MTC, with support from ABAG, contracted with Economics and Planning Systems (EPS) to conduct a Priority Development Area (PDA) development readiness and feasibility assessment. Building on the PDA Assessment completed by ABAG and MTC in 2010, the goal of the analysis is to assess the feasibility of accommodating the number of housing units projected in 2040 as outlined in the JHC, by evaluating a sample of PDA place types.

Twenty PDAs representing a range of place types, as well as strong and weak development markets, were selected for the sample. The PDAs were assessed using five criteria:

- Housing capacity estimate (based on current conditions and the JHC forecast),
- Existing planning and entitlement process,
- Level of community support as demonstrated by elected official approval of PDA-supportive land uses as well as history of neighborhood opposition,
- Market attractiveness, and
- Infrastructure capacity, unfunded needs and financing capability.

Data for the analysis is based on discussion with local jurisdiction staff, examination of existing local plans and policies, and interviews with developers working in the sample PDAs. The analysis considers both the baseline current conditions and future conditions assuming certain key barriers to development that exist in the baseline are addressed by policy or financial interventions.

Conclusions and Results

The assessment reached the following conclusions, as summarized in Table 1.

- Substantial development capacity exists given current local land use policies and development opportunity sites. There is **current capacity for about 60%** of the JHC forecast of residential development through 2040 (baseline readiness).
- With the implementation of a range of policy and financial interventions, the assessment estimates an **increase** in the development capacity of the PDA sample **to 80% or more** (amended readiness).
- Top PDA **development constraints** include:
  - Infrastructure deficiencies,

  - Limited local government financing capacity (e.g. loss of redevelopment agencies and funding),
  - Lack of sufficient parcel size or potential for existing development displacement,
  - Land use policy constraints (local zoning),
  - Market demand constraints, and
  - Financial limitations.
- A range of policy actions could be implemented at the local, regional and state levels to address these development constraints and significantly improve PDA development readiness, such as:
  - Refining local land use policies and zoning that improves the flexibility, predictability and efficiency of land use regulations,
  - Targeting available planning and capital funding to reflect development readiness,
  - Reinstating some form of redevelopment authority at the local level to provide jurisdictions with funding options or assist parcel assembly challenges, and
  - Creating additional infrastructure funding for local governments.
- Development of non-PDA areas will continue as the JHC's forecast anticipates 20% of future housing growth will occur beyond PDA boundaries. In most instances non-PDA areas will face constraints similar to PDAs. Ultimately, market forces will influence the precise location, development prototypes, and cost of future housing.

Next Steps

The final report for the project will be completed by the end of March. Staff will review the recommended policy actions for inclusion in Plan Bay Area and related advocacy efforts.

Agency and EPS staff will review the attached slides at your meeting, providing additional detail about the project. Using one of the PDAs included in the sample, they will walk through an example illustrating how each of the criteria noted above was applied in the assessment.

Steve Heminger

Ezra Rapport

Table 1
Summary of PDA Readiness Assessment Results
PDA Readiness Assessment; EPS #121113

PDA Type	# of PDAs in Sample	SCS New Units 2010-2040	Current Planned Capacity		"Base" Readiness		"Amended" Readiness	
			New Units based on Current Zoning and Sites (2012)	% of Allocation	New Units by 2040	% of Allocation	New Units by 2040	% of Allocation
City Center	5	16,605	22,383	135%	12,267	74%	16,400	99%
Mixed-Use Corridor	3	6,631	6,665	101%	5,481	83%	6,989	105%
Regional Center	2	59,539	48,846	82%	36,888	62%	47,079	79%
Suburban Center	3	12,379	10,450	84%	8,224	66%	9,813	79%
Transit Neighborhood	2	2,752	1,136	41%	980	36%	1,419	52%
Transit Town Center	4	15,390	16,072	104%	7,683	50%	10,420	68%
Urban Neighborhood	1	5,092	3,577	70%	2,325	46%	3,130	61%
TOTAL SAMPLE	**20**	**118,388**	**109,129**	**92%**	**73,848**	**62%**	**95,249**	**80%**

Priority Development Area (PDA) Readiness Assessment

MTC Planning and ABAG Administrative Committees

March 8, 2013

Study Purpose

- Address concerns of developers and Bay Area Business Coalition
- Estimate the ability of PDAs to accommodate residential units projected in *Plan Bay Area* by building on criteria established in 2010 PDA Assessment
- Determine specific policy initiatives that could be advocated to improve feasibility

Framework for Analysis

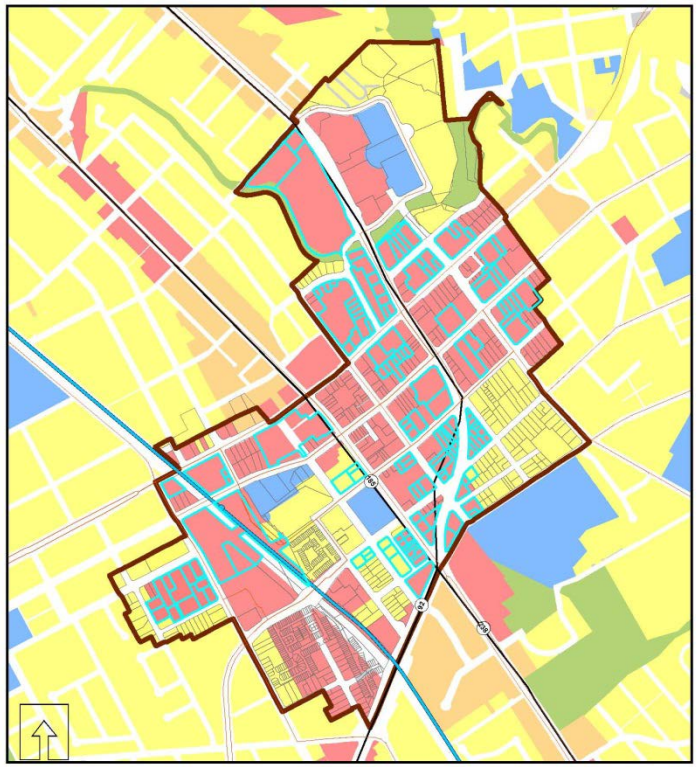
- 2010 PDA Assessment used as starting point
- Readiness Criteria
  - Housing capacity estimate
  - Existing planning and entitlement process
  - Level of community support
  - Market attractiveness
  - Infrastructure capacity, needs
- Evaluate baseline readiness
- Determine amended readiness assuming certain policy actions

Framework for Analysis

- Selected sample of 20 PDAs representing a range of place types, strong and weak markets
  - Regional Center
  - City Center
  - Suburban Center
  - Urban Neighborhood
  - Transit Town Center
  - Mixed-Use Corridor
  - Transit Neighborhood

(1) Housing Capacity Estimate

- Evaluated potential opportunity sites by assessing existing vacant or underutilized parcels
- Reviewed current local land use policy and zoning for new housing capacity
- Reviewed estimates with local planning staff



(2) Planning & Entitlement Process

- Staff capacity, time and difficulty in obtaining entitlement

- Likelihood of residential neighborhood displacement based on identified opportunity sites

(3) Level of Community Support

- Elected official support for proposed PDA use/densities over past 3 years
- History of neighborhood opposition

(4) Market Attractiveness & Investment

- Real estate investment/development in PDA/city over past 10 years
- Recent local development activity
- General market conditions
- Financial feasibility constraint (market prices vs. construction costs)
- Available parcel size and configuration
- Existence of major investment disincentives such as environmental contamination

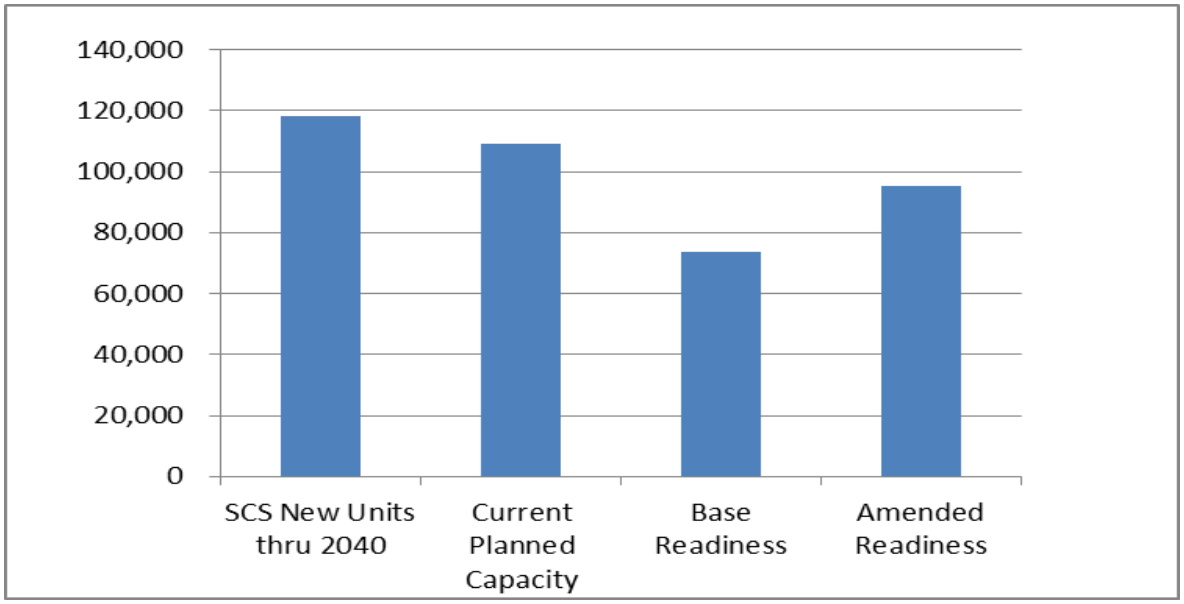
(5) Infrastructure Capacity/Needs

- Existing infrastructure capacity (transportation, sewers, etc.)
- Existing funding mechanisms such as development impact fee programs
- Overall infrastructure financing capacity of PDA (value of future development vs. cost of needed infrastructure)

Overall Results

- **Can achieve 62%** of *Plan Bay Area* forecast of residential units for PDAs in sample set under current conditions

- **Can achieve 80%** or more of *Plan Bay Area* forecast with implementation of policy actions



Development Constraints

- Infrastructure deficiencies
- Limited local government financing capacity (e.g. loss of redevelopment agencies and funding)
- Lack of sufficient parcel size or potential for existing development displacement
- Land use policy (local zoning)
- Market demand constraints
- Financial limitations

Key Policy Considerations

- Refining local land use policies and zoning that improves the flexibility, predictability and efficiency of land use regulations
- Targeting planning & capital funding to reflect development readiness
- Reinstating some form of redevelopment authority at the local level
- Creating additional infrastructure funding for local governments

Assessment of Non-PDA

- JHC assumes 20% of future housing growth will occur outside PDA boundaries
- Likely concentration in a few areas based on current urban growth boundaries
- Most non-PDA development faces similar constraints to PDA development
  - Lack of infrastructure
  - Financing capacity
  - Market constraints

Summary/Next Steps

- Results offer understanding of PDA development challenges across a range of place types and market conditions
- Identifies challenges common to many PDAs that could be the focus of future work to support local jurisdictions
- Use results and policy considerations to focus *Plan Bay Area* policy and legislative priorities