

Draft Projections 2005 Monitoring Report

Association of Bay Area Governments

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Table of Contents

Executive Summary	1
Policy-Based Forecast	3
Introduction	3
Trends-Based Projections	3
Policy-Based Projections	4
Local Land Use Policies and the Potential for Change	5
Oakland	5
San Francisco	6
San Jose.....	7
Other Local Plans	8
Smart Growth Survey Results	10
State and Regional Smart Growth Policies and Programs	12
State Policy Changes	12
Regional Policies and Programs	13
Inter-Regional Partnerships	16
Corridor Program	17
Technical Sessions	19
Changes Expected from Smart Growth Policies	20
Housing Production	23
Detailed Review of Forecast and General Plan Data	25
TOD Study	25
Local General Plans	27
Evaluating Projections Policy Assumptions	28
Conclusions	35

Endnotes	36
Appendix A: Smart Growth Monitoring Plan	38
Appendix B: General Plans — Last Updated	40
Appendix C: Survey Form	44
Appendix D: ABAG-MTC Regional Planning Program	46
Appendix E: Housing Needs Law Changes	51

Executive Summary

The Association of Bay Area Governments' (ABAG) recent survey of local jurisdictions suggests that there is widespread support for including smart growth measures in their land use policies and decisions. Many have already begun to include some type of smart growth measures.

ABAG, as part of a Metropolitan Transportation Commission (MTC) study, has been analyzing demographic and economic data around existing and proposed transit stations, and in specific major transit corridors.

The three largest cities — San Jose, San Francisco, and Oakland — are actively pursuing policies that promote smart growth and TOD.

Data collected on TOD areas in the region suggest that in 2000 about 25 percent of all households and 39 percent of all jobs were near a transit station or within a major transit corridor.

The *Projections 2003* forecast indicates that 30 percent of all households and 40 percent of all jobs will be near transit or within a major transit corridor by the year 2030.

Currently, local plans covering some TOD areas do not appear to allow sufficient development to support the expected level of growth in *Projections 2003*.

Of the 109 local general plans in the region, the land use element is twenty years or older in 5 jurisdictions, between fifteen and twenty years old in 7 jurisdictions, and ten to fifteen years old in 24 jurisdictions. This indicates that some plans may not have a time horizon that extends to 2030.

Various pieces of state legislation that might support smart growth goals are being discussed, including housing incentives and rules, construction defect litigation, and regional agency coordination. No significant legislation in these areas has been passed into law.

A number of regional programs sponsored by MTC are in place to provide incentives to TOD development and improve coordination between transportation and land use planning. MTC's TLC program, HIP program, and T-Plus program are available to support smart growth throughout the region.

While policies have been instituted and smart growth development patterns are beginning to occur, the amount of change is still small, but consistent with the assumptions used in *Projections 2003*, and those approved for *Projections 2005*.

Some TOD areas included in MTC Resolution 3434 projects or Regional Measure 2 were not considered in the development of the Smart Growth Scenario suggesting the potential need to update the Smart Growth Scenario.

Development of the TOD area definitions and analysis of those areas suggest that additional work is needed to clearly define the areas of interest for smart growth monitoring in the future.

Future monitoring of smart growth policies will require decisions about level of effort in data collection and analysis.

Policy-Based Forecast

Introduction

The *Projections 2005 Monitoring Report* is the first formal review of the assumptions and results from ABAG's previous long term forecast, *Projections 2003*.

In a departure from previous regional forecasts produced by ABAG, *Projections 2003* was the first regional "policy-based" forecast. It was developed using a methodology design to help guide Bay Area growth, as compared to ABAG's traditional biennial "trends-based" projections.

When that forecast was adopted, it was understood that the results of the forecast and the smart growth-related assumptions and policies that form the basis of *Projections 2003* would be periodically examined to insure that future forecasts and their assumptions are grounded in reality.

The primary reason that ABAG produces a forecast is so that other regional agencies, including the Metropolitan Transportation Commission (MTC) and the Bay Area Air Quality Management District (BAAQMD), can use the forecast in their modeling and planning work. The modeling and planning done by these agencies result in regulatory and project funding decisions. Projections is also widely used for local land-use planning and by individuals and organizations looking at their long-term objectives in the Bay Area.

As part of this cooperative effort, ABAG and MTC staff have agreed with staff from the Environmental Protection Agency and the Federal Highway Administration that monitoring will be part of the Projections cycle to insure that the forecast provides a reasonable basis for the modeling used in air quality conformity work. A copy of the staff agreement is included as Appendix A.

Trends-Based Projections

With ABAG's forecasts, the potential for economic and demographic growth and its distribution are based on the availability of space (vacant land, underutilized existing developed areas, and building sites that can be reused or redeveloped). Space must be adequate to allow for the forecast activity level. Therefore, local land use data is continuously collected from every jurisdiction in the Bay Area through ABAG's Local Policy Survey. This information includes any local policy constraints on development that may impact the availability of land.

Data collected through the Local Policy Survey include the availability of vacant land, timing of future development, type of future development, density of development, transportation, land use policy constraints on development, and other land use related factors that could affect development. This data

is used in subsequent parts of ABAG's modeling system and acts as a key determinate of the geographic disaggregation of the regional, county and census tract forecasts.

Policy-Based Projections

Projections 2003 relies on proactive economic assumptions and land use policies that assign growth potential to local jurisdictions following a "smart growth" pattern of development. Smart growth can best be described as development that revitalizes central cities and older suburbs, supports and enhances public transit, promotes walking and bicycling opportunities, and preserves open spaces and agricultural lands.

Smart growth is not "no growth"; rather, it seeks to revitalize the already-built environment and, to the extent necessary, foster efficient development at the edges of the region in the process creating more livable communities.

In partnership with the other regional agencies (which includes the Metropolitan Transportation Commission, the Bay Area Air Quality Management District, the Bay Conservation and Development Commission, and the SF Bay Regional Water Quality Control Board) and a group of stakeholders from the social equity, environmental and economic caucuses, ABAG developed a Regional Smart Growth Vision in March 2002. This Vision was created out of a two-year effort to establish principles and strategies for how the nine-county Bay Area can grow smarter and become more sustainable over the next 20 years and beyond.

County-wide public workshops were held in all nine Bay Area counties (eighteen weekends in all), where information and ideas were gathered from the local elected officials, planning staff, interested citizens and advocacy groups. Information from these workshops was then sorted, evaluated and compiled into a series of reports and maps, all of which ultimately led to the formation of a Smart

Growth Vision for the Bay Area. This process was the first of its kind to be completed in California.

One of the goals of this process was for ABAG to use the Vision in its economic-demographic projections. ABAG's policy-based *Projections 2003* assigns growth potential to local jurisdictions following approximately the pattern that the Smart Growth Vision intended. While these projections do not meet the numerical goals of the Vision, they do assume a change in the prevailing patterns of development. Local jurisdictions must undertake changes in their general plans and zoning ordinances, and the state and regional agencies must provide incentives in order to achieve these projections.

While the workshops focused on providing a vision for the future, *Projections 2003* began the process of implementing that vision. It is a practical forecast for the region designed around policy changes that reshape development.

Local Land Use Policies and the Potential for Change

One obvious key to changing land use patterns is having supportive land use policies. Without actual investments, policies do not in and of themselves provide changes, but they are an important first step. This is particularly true when forecasting the distribution of future growth.

Oakland

Oakland has placed significant effort on transit oriented development. The focus has been to create transit villages at the eight BART stations in the city.¹

The City Center station area already has four million square feet of office space, over 100,000 square feet of retail, and a redevelopment agency sponsored plan to site an additional 300-400 residential units in the area.

The Rockridge station area has significant residential retail and commercial development. No significant changes to the existing character of the station area are expected.

A transit village has recently been developed at the Fruitvale Station. The recently completed first phase includes 255,000 square feet of retail, 114,500 square feet of office, 47 residential units, child care center, senior center, and library.^{2,3}

In the vicinity around the 19th Street BART Station, the redevelopment agency has negotiated with a developer to produce 1,000 residential units, 1,140 parking spaces, 14,500 square feet of retail, and a 25,000 square foot park.

The West Oakland Station area is within the West Oakland Redevelopment Area. Almost completed is the Mandela Gateway development which is a 168-unit affordable housing development with almost 40,000 square feet of office and retail. Oakland's Community and Economic Development Agency has plans to develop other properties in the area.⁴

A decade of work has already gone into the planning of a transit village for the MacArthur Station area. The focus has been on developing a mixed-use development on the existing BART station parking lot. The project description is still being defined.

The city is currently planning a five phase transit village project at the Coliseum BART Station. The village would include affordable rental housing, a retail development and a city park. Approximately 300 residential units are planned along with retail and high density employment sites with completion expected in ten years.

The Lake Merritt Station area has not been designated a project by the city. It does provide an attractive opportunity for a mixed-use development near transit.

Downtown residential development is also a priority in Oakland. In 1999, the mayor set a goal of attracting 10,000 additional residents to Downtown by encouraging the development of 6,000 market rate housing units. As of July 2004, almost 1,500 units have been completed and 350 units are under construction. Over 1,400 additional units have received planning approvals and over 1,700 units are in the planning process. This means that almost 5,000 units have been completed or are currently in the pipeline. The vast majority of these units are near transit: BART, the AMTRAK station, and the ferry boat terminal at Jack London Square.⁵

While the city is supportive of housing growth in appropriate areas, the long term question continues to be whether Oakland can produce housing at the levels forecasted. In the future, it is likely to be the level of housing investment and not local policies that would be the limiting factor.

San Francisco

Outside of its park lands and steepest terrain, there is potential for transit-oriented development across San Francisco. Perhaps the most significant changes to San Francisco are Mission Bay, in the new neighborhoods planned for Rincon Hill/Transbay Terminal area, in Mid-Market, and the Market Street and Van Ness intersection.⁶

Mission Bay includes two redevelopment project areas covering 303 acres of land. Maximum development, expected over the next twenty to thirty years, would include 6,100 housing units, six million square feet office/R&D space, and 800,000 square feet of retail. It also would contain a 43-acre UC San Francisco Campus of up to 2.65 million square feet of building space. A 500-room hotel, 49-acre parks and public open space, elementary school, fire and police stations are also elements of the program. The area will be served by the MUNI Third Street light-rail extension that is currently under construction, as well as a variety of buses, and an existing Caltrain station.⁷

Two major research buildings on the UCSF campus in Mission Bay have been constructed and occupied, along with a building for an associated research institute. Construction is underway for an additional research building, a campus community center and a campus housing complex of over 400 apartments. In addition, a variety of residential and commercial buildings have already been completed in the northern and southern portions of the development area.⁸

The Transbay terminal is a two-billion dollar regional transit-oriented development project to extend and coordinate various rail and bus lines, and to build a new regional transit center and hub as the cornerstone for an evolving regional transit system.¹⁰ The redevelopment area around the project is envisioned to include 3,400 housing units and 1.2 million square feet of office and hotel space over the next two to three decades. Sales tax revenues have been assigned and a significant number of environmental and administrative approvals have been received. Construction is expected to take place between 2005 and 2012, although some significant funding hurdles remain.¹¹

Substantial changes to accommodate future growth and change in San Francisco are envisioned in the Planning Department's Citywide Action Plan (CAP) that directs a mix of housing and services to areas with public transit and urban amenities. Initiatives in the CAP include encouraging housing and better neighborhoods citywide, encouraging housing south of the downtown office core, infill development in transit and service-rich areas, permanent controls for core industrial lands, and permanent controls for surplus industrial lands. The result of this initiative is to capitalize upon the significant development potential in the east and southeast segment of the city in ways that create better, more vibrant mixed-use neighborhoods and districts.^{12, 13, 14}

The Downtown neighborhoods include the downtown office district, the Transbay redevelopment area, and Rincon Hill. Other CAP ideas include mixed-use residential neighborhoods in Mission Bay, Mid-Market, and in the

vicinity of the Market Street and Van Ness Avenue intersection — all of which have proposed plans that are in various stages of review. Appropriate infill residential development would be encouraged in South Beach and Eastern SoMa, Showplace Square, BayView/Hunters Point, Visitacion Valley, and along major arterial streets like Geary Boulevard.

Substantial additional housing is forecasted for San Francisco. While forecasted construction levels are probably consistent with long term local development potential, the subcounty location of the housing in the *Projections 2003* forecast within the city differs somewhat from that of the CAP. ABAG expects future subcounty allocations to be more consistent with the CAP. City staff has expressed some concern with the proposed *Projections 2005* draft estimates. ABAG and city staff believe that significant changes to a variety of programs and additional funding must be assured for the forecast to be realistic.

San Jose

The City of San Jose has a commitment to Smart Growth and Transit Oriented Development for over three decades.¹⁵ 140 residential development projects, totaling over 25,000 units, have been approved or built (since 1990) in close proximity to existing or planned transit opportunities in the City of San Jose.¹⁶

The city's planning policies call for high density residential and mixed use development along nearly 40 miles of transit corridors within the city limits. The San Jose 2020 General Plan identifies significantly higher density for future residential and non-residential development along major transportation routes, like light rail corridors. The Plan identifies potential for at least 6,500 new housing units, but could potentially accommodate several times more than that in a mixed-use or a residential only configuration. The general plan has several land use designations that allow mixed uses and/or have no maximum

residential densities. One of these designations was created specifically to support public transit. The city's housing opportunity study is likely to identify significant additional housing opportunities along transit oriented development corridors.^{17, 18}

Because it is geographically large, the city has focused growth within its Urban Service Area. In addition, two urban reserves have been set aside. They will only be included in the urban service boundary after certain criteria related to job growth, fiscal stability and the maintenance of service levels within the existing urban service boundary have been met.

Planning efforts underway are the Evergreen Smart Growth Strategy and the Coyote Valley Specific Plan. The Evergreen area includes residential neighborhoods, Evergreen Valley Community College, small business enterprises, creek resources, Eastridge Shopping Center, Lake Cunningham Park, and other City facilities. Evergreen has experienced significant housing growth, facilitated by the Sil-

ver Creek Planned Residential Community, the Evergreen Specific Plan, and the Evergreen Area Development Policy. In the last year, the local community has been participating in the Evergreen Smart Growth Strategy intending to determine a community-based vision to guide future development in Evergreen. It is intended to identify potential General Plan land use changes and design guidelines to reflect the vision, as well as determine the needed transportation and community investments needed to reflect the vision.^{19, 20}

The Coyote Valley Specific Plan area consists of 7,000 acres of mostly undeveloped land in the southern portion of the city. The plan is designed to be consistent with the general plan vision of supporting 50,000 jobs and 25,000 housing units on 3,400 acres within north and mid-Coyote Valley. The remaining 3,600 acres in south Coyote Valley are intended to be a permanent, non-urban buffer (i.e., greenbelt) between San Jose and Morgan Hill.²¹

San Jose's local plans appear to be consistent with the Projections 2003 forecast. In fact, local policies might actually support more of the forecast occurring closer to transit.

Other Local Plans

Other cities and counties in the region have shown a serious commitment and instituted policies that support smart growth and TOD.

San Mateo County's City/County Association of Governments' TOD incentive program received a national award. It provides incentives for land use agencies, the 20 cities and the county, to create housing near transit stations. Typically, eligible projects receive up to \$2,000 per bedroom. In order to be eligible for the program, housing must be within one-third of a mile of a rail transit station, and density must be at least 40 units per acre. Up to 10 percent of State Transportation Improvement Program funds are available.²²

Windsor, in Sonoma County, has focused efforts on its new four-acre town green as an engine for promoting development and improving development patterns.

The City of Petaluma has adopted a SmartCode to replace the traditional building code for a 400-acre area in the central part of the city. Identifying how buildings should look, it describes allowable building heights, fronts, placement, allowed uses, civic space and street type. It is intended to promote a walkable town. On-site parking is placed towards the backs of buildings and the interiors of blocks.²³

TOD surrounding BART stations outside the largest cities are planned for or are already under construction.^{24, 25} The Richmond Station TOD Village is under construction supporting a multimodal area including BART, AMTRAK, and bus lines.²⁶

Planning for TOD in station areas is occurring in various locations. The Board of Su-

pervisors in Contra Costa approved a plan for a transit village near the Pittsburg-Bay Point BART Station in 2002, but the City of Pittsburg opposed the plan.²⁷

The East Dublin Transit Center Design Guidelines and the Retail Study were completed in December 2002 and are currently being utilized by City of Dublin staff in their meetings with the individual developers involved in the project. Transit center construction is slated to begin soon.²⁸

BART is currently accepting proposals for a mixed-use development on 9 acres surrounding the proposed West Dublin Station at the end of Golden Gate Avenue.²⁹

The Valley Transit Authority works cooperatively with cities in its area to support TOD at current and planned light rail stations. VTA performs station area plans for specific sites along existing and planned rail lines. It also maintains a list of high priority TOD sites. Joint development projects located on VTA

owned land include the Tamient Child Care Center, Almaden Lake Village Housing and Ohlone-Chynoweth Mixed-Use Project.³⁰

Mountain View has a long history of promoting TOD. The city has both Caltrain and VTA light rail stations. Precise Plans for its rail station areas and a Transit Overlay Zone integrate development with transit. The Precise Plans replaced traditional zoning with a flexible approach that sets broad goals and objectives and establishing detailed development and design standards.^{31, 32, 33}

The Transit Overlay Zone allows an increase in office/R&D floor area from a 0.35 FAR to 0.50 FAR in exchange for transit-oriented improvements. It applies to development within 2,000 feet of a rail transit station. It has resulted in a substantial amount of bonus office space and new pedestrian/bicycle pathways, public art, shuttle systems, and on-site services have been implemented and paid for by this development.

Smart Growth Survey Results

As a way of beginning to assess likely changes in local policies, ABAG conducted an initial Smart Growth Survey (Appendix C). The survey was designed to provide general information on the level of support for a variety of policies.

It also give us a general indication of the rate of change and an estimate of the amount of development potential. While the information obtained was much less than would have been obtained through the Local Policy Survey, the Smart Growth Survey is designed to yield a snapshot of the potential for local level policy change.

The mail survey in Appendix C was distributed in March 2004 to all 101 Bay Area cities as well as the 9 county planning departments (which were asked to respond for the unincorporated portion of their county). It asked the jurisdictions whether they had adopted,

or were considering, policy changes. By the end of April, ABAG had received 95 responses, an 87-percent return rate. Based on population, the surveys which were returned represent almost 96 percent of the region's population. Even the county with the lowest return rate, San Mateo, had responses representing 83 percent of its population.

In contrast, the Local Policy Survey only updates about one-quarter to one-third of the cities and counties in the Bay Area during a two-year cycle. The Smart Growth survey also provides us with the policy rationale behind the development potential that is identified.

The Smart Growth questionnaire was not designed to measure the degree of change which is contemplated. Follow-up telephone and e-mail contacts attempted to identify the change in development potential for those jurisdictions that identified increases in density.

However, separating out the change in development potential from information identified in the Local Policy Survey was difficult. In some cases, local jurisdictions were reluctant to identify a specific level of additional potential. In other cases, it appeared that the potential was already included in the previous survey.

The survey indicates that:

- 89 percent of the respondents have adopted, or are considering adopting, smart growth policies. (85 out of 95)
- Looking only at policies that would increase densities, 75 percent of respondents have increased densities or have this issue under consideration.
- However, 31 percent of the respondents also indicate that conditions exist in their communities, which could limit density increases.

**Percentage Adopting
Smart Growth Policies**

County	
Alameda	100%
Contra Costa	94%
Marin	82%
Napa	80%
San Francisco	100%
San Mateo	63%
Santa Clara	87%
Solano	86%
Sonoma	100%

The results of ABAG’s survey vary by county. It is important to note that ABAG was only asking about policies adopted in the last two years or currently under consideration. The questions were asked this way to coincide with ABAG’s projections process. Some cities told us that they had adopted smart growth policies, but these policies were adopted more than two years ago and needed to be evalu-

ated differently. Furthermore, some parts of the region may have adopted smart growth policies more aggressively than other areas.

While regionally, 89 percent of respondents have adopted smart growth policies, there is a wide variation when the responses are analyzed by county. In three counties, Alameda, San Francisco, and Sonoma, all the respondents reported that they had adopted or were considering smart growth policies. The lowest rate for considering or adopting smart growth policies was in San Mateo County. This can probably be explained by the fact that many of those cities started adopting smart growth policies more than two years ago.

As to the particular issue of increasing densities, 75 percent of the respondents are considering, or have adopted, some sort of density increase. Results do vary by county. In San Francisco and Sonoma counties, all the respondents are considering or have adopted higher densities. In San Mateo County, the

**Percentage Adopting or Considering
Policies Involving Higher Densities**

County	
Alameda	86%
Contra Costa	83%
Marin	73%
Napa	60%
San Francisco	100%
San Mateo	50%
Santa Clara	73%
Solano	71%
Sonoma	100%

county with the lowest percentage, only fifty percent of the cities are considering, or have adopted, density increases. Again, this may just be a factor of the cities having policies over two years old. What is important to note is that all over the region, cities are considering how to meet the challenge of growth by increasing densities. This is true even in areas that have vacant available land.

State and Regional Smart Growth Policies and Programs

Like local land use policies, state legislation in areas such as local planning requirements, funding for new housing, and construction defect litigation could substantially increase construction and density. Regional programs can also promote more housing and improve the pattern of development.

State Policy Changes

Several important issues relating to smart growth have been discussed in recent California State Assembly and Senate bills. However, as of the close of the session, only one of those bills has resulted in substantive action. Recent state housing legislation is described further in Appendix E.

Multiple bills were designed to address construction defect litigation, which many people have identified as a significant limitation to builder's willingness to construct condominiums in California.

AB2071 (Houston) would have limited action to recover damages from construction defects. Changing the time limit for legal action from 10 years after construction to six years. But the bill didn't move forward during this legislative session.

AB2333 (Dutra) was originally intended to encourage indemnity agreements between builders who had been sued for construction defects and their subcontractors: a mechanism that would lower the total cost to defendants and their insurers. The bill was eventually amended, removing specific legal prosecutions and became a statement of intent to facilitate the expeditious and equitable resolution of construction defect claims and litigation.

AB2812 (Dutra) originally established a prelitigation procedure for construction defects identifying construction standards, statute of limitations and homeowner obligations. The Bill was amended to declare a general intent about the construction defect resolution process.

Other bills proposed changes to the state requirements for the housing elements of local general plans.

AB2980 (Salinas) would grant regulatory relief from the state review of local housing elements, allowing cities to self certify compliance if they agreed to build a share of their low and very low income housing with the minimum percentage to be determined.

SB1592 (Torlakson) would require cities and counties to adopt or amend a specific plan for infill development and to include some specific incentives for infill development.

AB2158 (Lowenthal) would revise procedures for determining shares of regional housing need for cities, counties and subregions in line with recommendations from the Housing Element Working Group — was enrolled and sent to governor for signature on August 25, 2004.

Some legislation focused on ways to increase overall housing production and production of particular types of housing.

SB1595 (Ducheny) would place a state bond measure before voters to fund low and very low income housing.

Regional Policies and Programs

The following describes existing regional policies and programs. Appendix D indicates where those policies are headed in the future.

MTC Smart Growth Policies

In December 2003, MTC adopted a five-point Transportation and Land Use Platform which will be integrated into the Transportation 2030 Plan. It is part of the implementation of the Smart Growth Strategy/Regional Livability Footprint and the “Network of Neighborhoods” scenario which emerged from the public workshops for that project.

The five points are:

- Develop a transportation/land use policy statement for the Transportation 2030 Plan.
- Determine an appropriate percentage of the TLC/HIP program that should fund specific plan development around existing or near-term future rail stations or corridors.
- Encourage changes to local general plans that support Transit-Oriented Development for Resolution 3434 investments.
- Support transportation/land-use coordination beyond transit corridors.
- Coordinate transportation/land-use issues with regional neighbors.

Regional Measure 2, SB 916 (Perata), was on the March 2004 ballot in all Bay Area counties except Napa and Sonoma counties. The measure passed and it raised tolls to \$3 on the seven state-owned toll bridges in the region. Golden Gate Bridge tolls are set by the Golden Gate Bridge, Highway and Transportation District.

During the first decades of the increased toll, \$1,515 million is earmarked for specific projects, with up to \$48.3 million per year (up to 38 percent of revenue) available for transit operating costs. Transit projects in the plan include putting rail on a rehabilitated Dumbarton rail bridge to connect BART, Caltrain, Capitol Corridor and ACE service. BART would receive funds for seismic retrofit of the Transbay Tube and for expansions in the East Bay, including the Warm Springs extension, the connector to Oakland International Airport, and new diesel feeder trains in East Contra Costa County. New ferry service to San Francisco from Alameda/Oakland, Berkeley or Richmond, and South

San Francisco would be supported with money for new vessels and operating costs. Express buses would receive operating support and funding for new facilities, including intermodal hubs in Solano County and the City of Vallejo, and the replacement of the Transbay Terminal. MUNI would receive funding for historic streetcar lines and the Third Street Rail expansion.

Some key highway congestion points would also receive funding. Carpool lanes would be added to I-80 between Highway 4 and the Carquinez Bridge and from I-680 to BART at Pleasant Hill or Walnut Creek. The Benicia Bridge would receive funds to complete the new second span, the bottleneck at the junction of I-80/I-680 would be addressed, and money would be available to begin the work on a fourth bore for the Caldecott Tunnel.

MTC would be responsible for many of the projects, and its sister agency, the Bay Area Toll Authority, administer the funds.

Several of these projects, particularly some of the ferry boat terminals do not appear to have been anticipated in the Smart Growth Vision.

MTC's TLC/HIP Program

MTC's Transportation for Livable Communities (TLC) Capital and Planning Program is designed to support community-based transportation projects enhancing their amenities and ambiance and making them places where people want to live, work and visit. TLC provides funding for projects that are developed through an inclusive community planning effort, provide for a range of transportation choices, and support connectivity between transportation investments and land uses.

The *Community Design Planning Program* funds community design and planning processes to retrofit existing neighborhoods, downtowns, commercial cores, and transit station areas

and stops in order to create pedestrian, bicycle, and transit-friendly environments. The key objective of this program is to provide funding support to local governments, transportation agencies, and community-based organizations to explore innovative design concepts and plans through an inclusive, community-based planning process. MTC allocates Transportation Development Act (TDA) or Surface Transportation Program (STP) funds to this program. Up to \$75,000 is available per project.

The *Capital Program* funds transportation infrastructure improvements to pedestrian, bicycle and transit facilities. Typical TLC capital projects include new or improved pedestrian facilities, bicycle facilities, transit access improvements, pedestrian plazas, and streetscapes. MTC allocates federal STP or Congestion Mitigation and Air Quality (CMAQ) Improvements Program funds toward the capital project. Grant amount ranges from \$500,000 to \$3 million per project.

Most recently, MTC expanded its portfolio of programs that link transportation and land-use decisions by launching a *Housing Incentive Program* (HIP). The housing program is designed to maximize public investments in transit infrastructure and encourage transit use while also addressing the region's housing shortage.

A new program, called Transportation Planning and Land Use Solutions (T-PLUS), will be financed for three years, with annual grants totalling \$1.35 million going to Congestion Management Agencies (CMAs) that sign onto the memoranda of understanding and funding agreements. Eight of the nine counties are participating in the first year of T-PLUS.³⁴

The general scope of work for T-PLUS focuses on four transportation/land use priorities for MTC:

- The Transportation for Livable Communities/Housing Incentives Programs (TLC/HIP)
- Smart Growth policy development and program implementation
- MTC Resolution 3434 planning and implementation
- Mitigation programs

MTC is encouraging workshops, the development of modeling tools and best practices “toolkits”, and other incentives and strategies to implement the smart growth concepts adopted for the region.

MTC Resolution 3434 planning and implementation. Resolution 3434 focuses on transit corridors and regional transit policies, which need local actions such as transit-oriented development to be successful.

Transportation-related impacts can be reduced or offset with mitigation programs such as more extensive transit usage and ridesharing, and the use of mitigation banks.

Each CMA's approach to the new program, while having similar elements, is somewhat unique. Certain parts of the T-PLUS program will apply to all CMAs that participate; all will assist MTC with the monitoring and delivery of the TLC/HIP program, will provide an annual report to MTC, and are expected to address all four general areas to some degree. Beyond that, CMAs can tailor elements of the general workscope to fit their local needs and opportunities.

Inter-Regional Partnerships

ABAG-Central Valley

The Inter-Regional Partnership (IRP) was formed in 1998 in an attempt to bridge jurisdictional boundaries and forge cooperative solutions to shared problems, such as the geographic separation of housing and employment, mounting traffic and air pollution and growth. The IRP is made up of fifteen elected officials, representing five counties — Alameda, Contra Costa, San Joaquin, Santa Clara, and Stanislaus. Three councils of governments (COGs) — the Association of Bay Area Governments, the San Joaquin Council of Governments, and the Stanislaus Council of Governments — provide staffing, financial support and regional expertise.

In the summer of 2000, the members of the IRP successfully pursued legislation to address imbalanced growth of jobs and housing between the two regions. With the help of then Assembly Member Torlakson, AB 2864 was signed into law creating the *Inter-Regional Partnership State Pilot Project to Improve the Balance of Jobs and Housing* for the period January 1, 2001 to July 31, 2004. This legislation was also the impetus for other IRPs in other areas of the state to assess interregional issues and establish cooperative organization.

The State Pilot Project identified a specific solution to be implemented in the ABAG-Central Valley IRP area. To remedy jobs/housing imbalances, Jobs/Housing Opportunity Zones were to be designated throughout the region, with the intention of changing development patterns using a range of incentives particular to each zone's needs; i.e. housing development in "job-rich" areas and employment centers in "housing-rich" areas.

While ten Zones were designated in late 2002, additional legislation providing incentives has not been forthcoming. The program was extended for four years, without additional funding, in the hope that additional monitoring could be performed and incentives would eventually be provided.

To further value the jobs/housing balance dilemma, the IRP produced the "IRP Demographic & Employment Forecasts" released on July 23, 2003. This document summarizes population, housing and job growth trends through 2025 for the entire IRP region, including each county and city. Much of the data and text were adapted from the forecasts developed by the individual COGs participating in the IRP. This document coordinated that information and emphasized the trends in job growth and the relationship to housing in the regions and individual counties.

The IRP continues to pursue cooperation on interregional issues. The results of both the IRP State Pilot Project and the IRP Demographic & Employment Forecasts are available in GIS form on the ABAG web site <http://gis.abag.ca.gov/>.

Monterey-Silicon Valley

Another area of interregional cooperation has been the Monterey Bay Area/Silicon Valley Inter-Regional Partnership. This group, supported by the staff of ABAG and AMBAG, has also begun to lay the foundation for better interregional planning. A joint study that addressed housing choices, job growth, smart growth and resource conservation, and public/private partnerships was completed in mid-2003. Going forward strategies include advocacy of fiscal and regulatory reform, local efforts to increase housing production

near local job centers; promote affordable housing; promote employment location near existing housing; the creation of more local mixed use, compact land development; more efficient transportation patterns; and preservation of open space.

As previously indicated, MTC has identified IRPs as an important part of its Transportation and Land-Use Platform in the 2003 RTP. ABAG, MTC, the Solano CMA and SACOG are currently pursuing grant funding to aid in the study and promotion of structures that would increase coordination and cooperation between Solano County in both the ABAG and SACOG region. As both areas have been working to implement smart growth policies, increased focus on interregional issues and the significant inter-regional commuting in this corridor may be a fruitful area for further work.

Corridor Program

The Corridor Program is intended to implement the “Network of Neighborhoods” Vision as developed during the Smart Growth visioning process. Corridors form the primary connections between neighborhoods and cities and provide a focal point for linking neighborhoods. The “Network of Neighborhoods” vision embodies the Smart Growth Vision, where growth is concentrated in existing urban areas, especially along transit centers and corridors that connect neighborhoods, communities, cities and the region.

It is envisioned that through the Corridor Program, the Bay Area's regional agencies and others will determine ways to combine and focus resources to improve the region's ability to provide housing and jobs to its residents, to protect and improve the environment, to promote transit and transportation opportunities, and to improve the quality of life for the region's population. Representation from social equity, environmental and economic interests will bring a diversity of interests and perspectives to the program.³⁵

The goal of the Corridor Program is to have Bay Area's regional agencies and others work to implement the Network of Neighborhoods vision at the local level by focusing and combining resources. As part of this program, ABAG is working to support and expand the scope of existing corridor efforts.

Assembly member Loni Hancock (Berkeley) has brought ABAG into the planning for San Pablo Avenue, which builds on her earlier work on safety in the same corridor. Hancock sees San Pablo Avenue, as a potential "world class boulevard" — with the community working together to define what that entails. The nine cities, two counties, two congestion

management agencies, and regional and transit districts have already been working on various issues involving the San Pablo corridor. East 14th/International Boulevard is another corridor that is receiving initial focus through the Corridor Program. ABAG staff is putting together Geographic Information Systems (GIS) maps to show the various investments and plans affecting the East 14th/International Boulevard corridor, including those funded by regional and state dollars. Commonalities and opportunities to coordinate projects to make better use of scarce funds and staff expertise, and to ensure community input, is the focus of this project.

Technical Sessions

In February, ABAG concluded a series of practitioner-focused technical sessions. The sessions sparked peer-to-peer discussions of technical planning issues that are vital to smart growth implementation. The sessions also established common ground on components of smart growth among local practitioners. Findings from the technical sessions will provide policy direction for future implementation programs and ideas for potential regulatory changes at the local and state levels.

The technical sessions focused on three different issues, including LOS, infill risks, and parking requirements. The LOS session focused on ways of addressing the disincentives for infill development that come from transportation level of service calculations in environmental impact reports. The Risks session looked at how financial and environmental issues can limit the development of infill. Whether parking requirements for new construction, changes to local parking regulations and more creative design options might address significant barriers to infill development were issues examined in the last session.

Changes Expected from Smart Growth Policies

An effective way to gauge the changes expected from smart growth policy assumptions is to compare the *Projections 2003* forecast to *Projections 2002*. The earlier forecast, with some alterations is viewed as a “base case” forecast. In other words, *Projections 2002* is still a reliable forecast of future activity in the Bay Area without the implementation of Smart Growth policies. For example, the base case forecast does not assume any incremental funding to promote housing development, or any policy that would substitute for that type of funding. It also does not assume that state, local, or regional policy makers would change land use policies or other types of funding decisions in a way that would change regional development. Therefore, *Projections 2002* is very similar to a forecast that would have been made if the implementation of Smart Growth policies were not assumed.

At a more quantitative level, smart growth policy assumptions result in a higher number of housing units produced, more residents and employed residents, and an increase in jobs than under previous forecasting assumptions.

It is estimated that by the year 2030, extending the previous forecast by five years, new smart growth policies would result in 126,400 incremental housing units above previous forecasts. As described later in this document, a combination of governmental funding to spur private investment and changes in a variety of policies cause housing construction to increase to levels above the previous forecast. (See accompanying chart on page 17.)

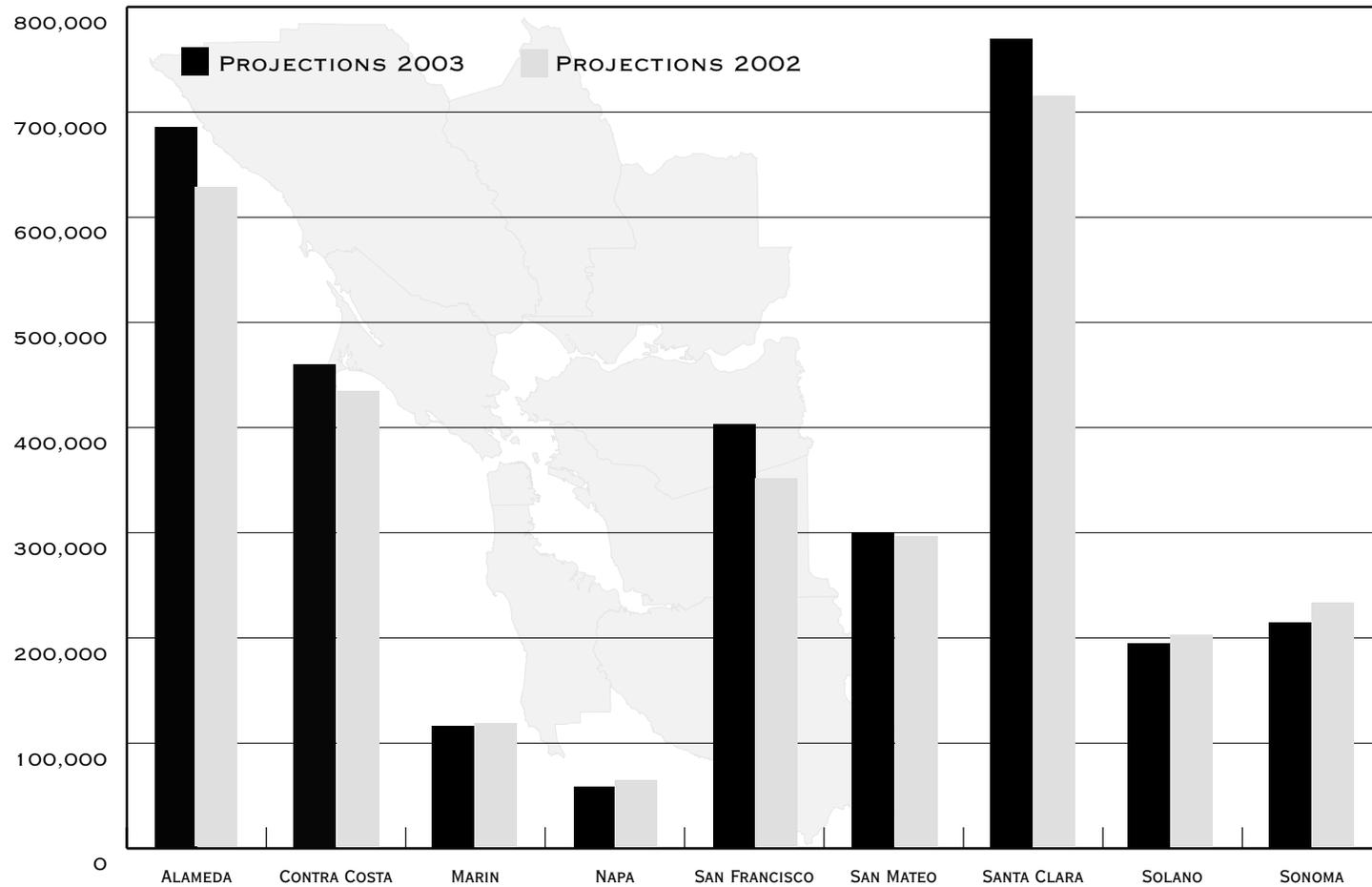
An increase in housing means that more than 505,000 additional residents are being forecasted by the same year. This housing is also expected to provide a home for 214,100 more employed residents than the *Projections 2002*

base case forecast. This increase in employed residents is significant, when compared to the number of jobs in the region, for it gives a rough estimate of the net inter-regional commute.

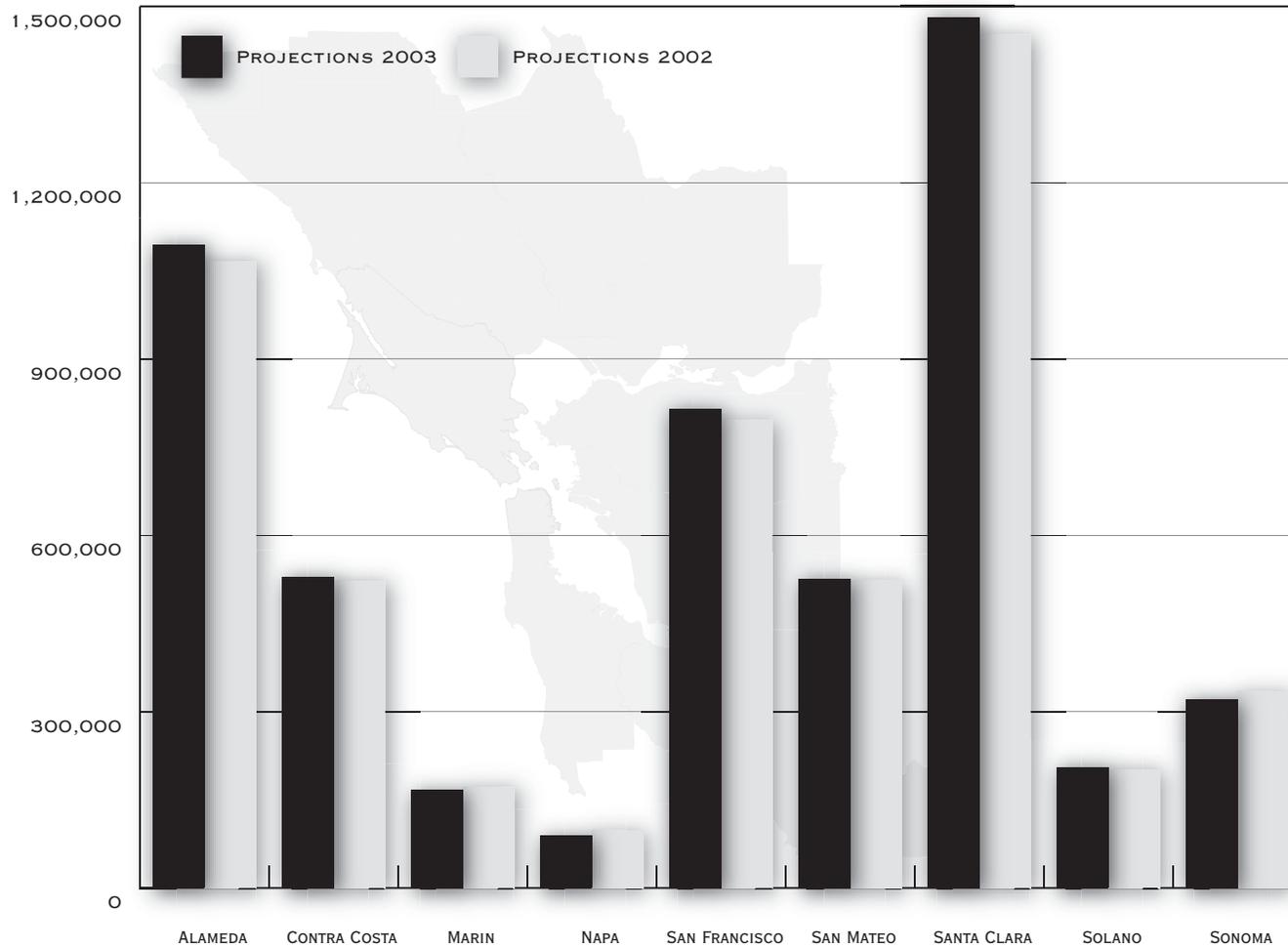
Projections 2003 also shows an additional 63,000 jobs over *Projections 2002*. These additional jobs are a result of the incremental construction activity in the forecast, and the employment generated by meeting the needs for goods and services that will be required by the more than 505,000 additional residents of the region. (See accompanying chart on page 18.)

Other minor changes to employment resulted from Smart Growth policies. As some land use transferred from job supporting to residential uses, some geological limitations to land use were required and some local policy choices created some small reductions in employment.

Households Comparison for Year 2030



Employment Comparison for Year 2030



Housing Production

The three largest cities in the region — San Jose, San Francisco and Oakland — contain approximately 31 percent of all of the regions housing according to the California State Department of Finance and 43 percent of all multifamily housing. Individually, as the accompanying table illustrates, the character of their housing stocks differ. San Francisco’s housing is over 68 percent multifamily, while Oakland has about 51 percent multifamily housing, and 35 percent of the housing in San Jose is multifamily housing.

Given the large existing housing base, change to the overall character of these cities occurs slowly. However, in recent years multifamily housing has been the dominant type of housing addition in the largest cities. Multifamily housing has accounted for 60 to 80 percent of San Jose’s housing additions in the last four years. Multifamily housing has accounted for

Multi-Family Housing in the Three Largest Cities

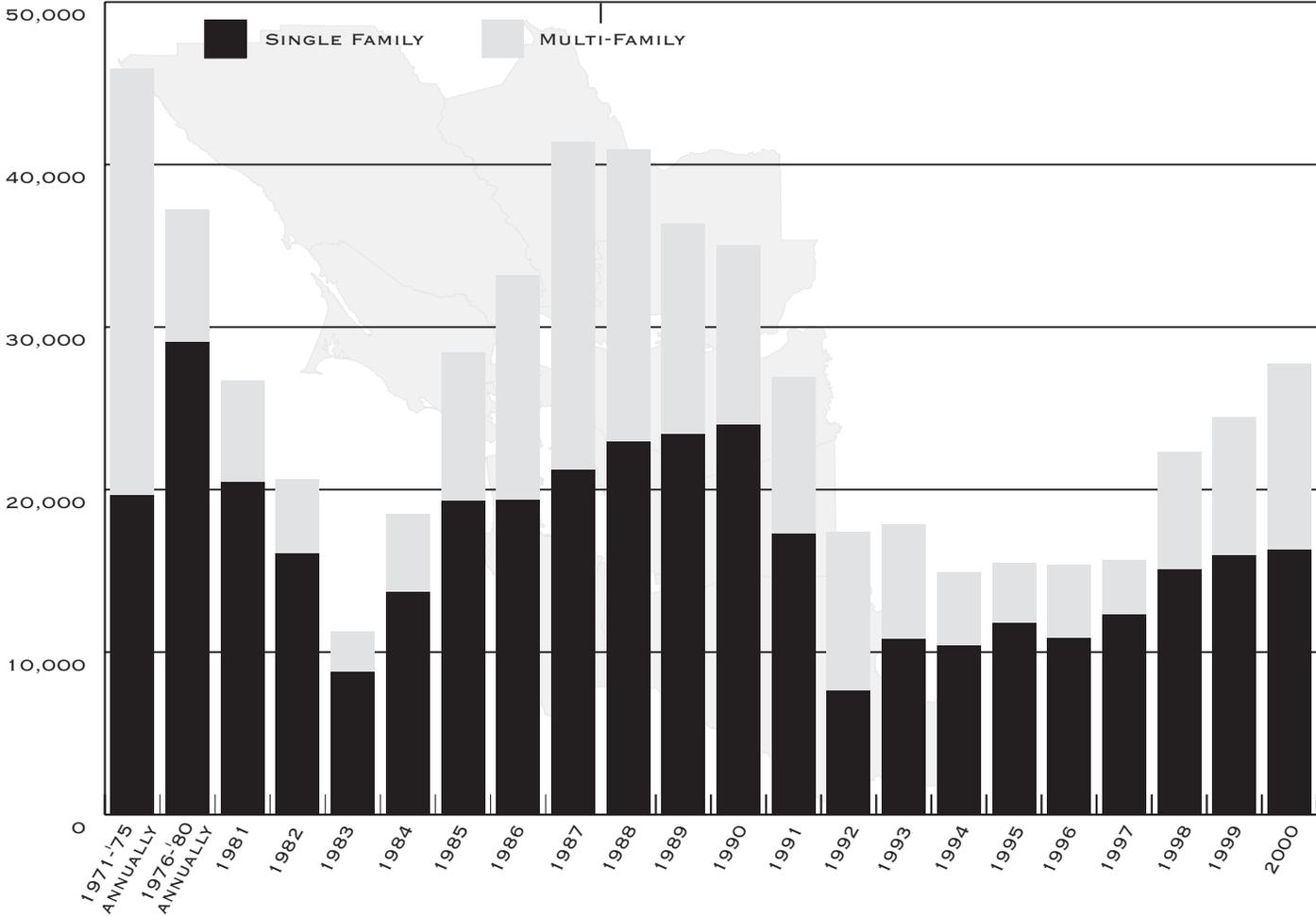
	As a Percent of Existing Housing	As a Percent of Growth in Housing		
	2001	2002	2003	2004
Three Largest Cities	2001	2002	2003	2004
Oakland	33%	77%	83%	72%
San Francisco	68%	96%	100%	96%
San Jose	50%	90%	75%	83%

75 to 90 percent of Oakland’s housing additions the last three years, and San Francisco’s housing additions each of the last four years have been over 90 percent multifamily.

The largest cities also host a significant proportion of the region’s employment. The three largest cities account for 34 percent of the region’s total jobs. San Francisco has over 600,000 jobs, San Jose with over 400,000, and Oakland having over 190,000 jobs.

While growth in jobs and housing for the largest cities was expected to occur in the base case *Projections 2002*, *Projections 2003* forecast at somewhat higher levels of households and jobs. In part, this is because of the overall number of households, and to a more limited extent, the number of jobs is higher in *Projections 2003*. But it is also due to the disproportionate amount of development potential available in these cities under the smart growth scenario.

Bay Area Housing Production



Detailed Review of Forecast and General Plan Data

TOD Study

As a subcontractor, ABAG is analyzing MTC's TOD study. To support TOD in areas near new transit projects, MTC will use a Caltrans grant for a TOD study with the goal of creating thresholds, standards and policies which can be used to make transit cost effective while reflecting the needs of individual communities.

The areas analyzed have some differences from the areas emphasized in the smart growth vision adopted by the regional agencies. Only areas around existing and proposed transit are considered, existing downtowns are not necessarily included. Even among the TOD areas there are some differences. Some areas in MTC's 3434 regional Transit expansion program and some areas funded by Regional Measure 2 were not originally emphasized under the smart growth policies.

The individual TOD Study Zone station areas are identified by locating the most significant form of existing, planned or programmed transit for the area, then defining these locations by that form of transit. U.S. Census blocks were selected from areas that intersect the TOD Study Zones.

Heavy Rail Stations/Ferry Terminal areas are a one-half mile around designated stations or terminals, including both complete and partial census tracts, where at least 35 percent of the tract falls within the zone. Light Rail Stations/Select Bus Areas and Bus Rapid Transit Corridors and Terminus locations are a one-quarter mile buffer area including both complete and partial census tracts, where at least 35 percent of the tract falls within the zone.

While the population and housing characteristics describing these areas are reported at the block level, the employment and income characteristics are defined at the, more general, block group level. This data is assigned using ABAG's existing land-use database to assess the relation amounts of employment supporting development.

Projections 2003 forecasts are disaggregated to these TOD areas by reviewing our local policy survey of likely potential development. This information is used to assign relevant portions of the forecast from census tract geography to TOD areas.

While it has some limitations, this work is obviously a very detailed look at existing characteristics, potential and forecasted change at TOD areas. As a result, ABAG's analysis from the TOD study will be used as a basis for the discussion of a more detailed look at *Projections 2003* around designated stations or terminals.

Demographics Within the TOD Study Zones

County	Population		Households		Jobs	
	2000	2030	2000	2030	2000	2030
Alameda	411,442	602,876	158,571	227,328	325,524	517,787
Contra Costa	147,371	204,655	58,686	78,657	93,719	148,469
Marin	27,629	36,610	13,268	16,375	35,802	54,731
Napa	7,605	10,218	2,976	4,124	9,100	12,210
San Francisco	391,037	503,253	170,996	224,522	475,649	675,179
San Mateo	139,082	186,086	54,607	69,829	132,006	225,484
Santa Clara	377,456	605,685	132,123	210,177	368,137	629,601
Solano	26,293	50,428	9,522	17,825	14,032	30,731
Sonoma	33,429	45,630	12,661	16,715	17,095	37,099
Region	1,561,344	2,245,441	613,410	865,552	1,471,064	2,331,291

Three Largest Cities	Population		Households		Jobs	
	2000	2030	2000	2030	2000	2030
Oakland	133,844	201,514	49,959	76,559	117,832	174,395
San Francisco	391,037	503,253	170,996	224,522	475,649	675,179
San Jose	226,330	377,702	69,211	119,333	183,416	294,427
Total	751,211	1,082,469	290,166	420,414	776,897	1,144,001

The study analysis shows that in 2000, about 25 percent of the region's households and 39 percent of its jobs were near TOD areas. Using the *Projections 2003* forecast, we expect that 27 percent of the region's households and 45 percent of its jobs will be located near transit by 2030. This is a significant change, but not a complete transformation of the regional footprint due to the substantial level of existing development.

If we only look at the change in households, over 250,000 or 35 percent of the additional housing in the Bay Area during the forecast period is expected to be constructed near transit. Over 860,000 jobs or 45 percent of the increase in jobs during the same period is forecasted to be near transit.

Data for the three largest cities tells a similar story. Almost one-half of the region's housing near transit and more than one-half of the region's jobs that are located near transit occur in these three cities.

Individually, San Francisco has the highest percentages of housing near transit at 52 percent, followed by Oakland with 33 percent, and San Jose with 24 percent. Employment is more highly concentrated near transit with San Francisco having 75 percent of all jobs near transit. In 2000, Oakland had 61 percent of its jobs near transit and San Jose had 41 percent of its jobs in transit areas.

By the end of the forecast period, the largest cities are expected to account for 49 percent of the total regional housing near transit and 49 percent of the region's jobs located near transit. In total, the three largest cities will add over 130,000 household and over 367,000 jobs near transit according to the *Projections 2003* forecast.

Local General Plans

Appendix B shows the most recent update for various components of local general plans. If we concentrate on the land use element of the plans, it seems that many local policies are out of date. About one-half of local general plans have a land use element that is at least 10 years old. Fifteen are 15 to 20 years old, and four have not been updated in at least 20 years. The lack of updated general plans may significantly understate the development potential in local areas. ABAG's Local Policy Survey shows planning horizons of 2010 or less for 29 local land use plans.

Evaluating Projections Policy Assumptions

For the purposes of developing a regional forecast, the land use goals that evolved out of the Smart Growth Strategy/Regional Livability Footprint Project had to be translated into more concrete data. In addition, economic assumptions about public funding and programs that would cause corresponding changes in development patterns needed to be more explicitly described. Since the forecast is made at a regional level, the economic assumptions remain fairly general.

This section summarizes the seven policy-related assumptions that define the land use and housing polices, changes in government spending and other economic conditions that were adopted by ABAG's Executive Board as parameters for *Projections 2003*. These assumptions, while practical, are also fairly aggressive in their attempt to move the region toward the development pattern portrayed in the Smart Growth Vision. *Projections 2005* uses a similar set of assumptions.

Assumption One: Applicability of Base Case Assumptions

Projections 2002, completed at the end of the calendar year 2001, provided relevant guidance for making the revised forecast. The Bay Area, along with the rest of the United States economy, had faced several unexpected, and sometimes tragic events in the last few years. The terrorist attack of September 11, 2001, subsequent military intervention in Afghanistan, widespread corporate accounting scandals, and the most recent war in Iraq have changed the landscape in which we live. In spite of these major national and international events, from the standpoint of the economic results embodied in *Projections 2002*, only minor changes to the employment forecast were necessary. These changes included a reduction to job and employed residents in the years 2005 and 2010.

The Bay Area had already entered a recessionary period prior to the publication of *Projection 2002*. The 2002 forecast results indicated that the recession would end sometime between the years 2000 and 2005, with relatively slow growth occurring during a period of recovery. Slower growth, more consistent with long-term historical trends than the growth levels of the late 1990s, was also forecasted for future years. At the time of the development of the forecast, these economic conditions still held true. As a result, there were few changes to the base forecast which was in turn used to develop *Projections 2003*. A slower than expected economic recovery and additional Census data have resulted in changes to the underlying data and forecast that is used in *Projections 2005*.

Assumption Two: Updated Data

The goals discussed in the Smart Growth Vision referenced ABAG's *Projection 2000* and looked at a twenty-year time horizon. The scope and timing of the development of the Vision did not allow for examination of the newer forecast, *Projections 2002*. These projections included some significant results from Census 2000 and some better understanding of changing economic conditions. As a result, the numeric goals articulated in the Smart Growth Vision have been translated by adjusting both the baseline 2000 data, and the economic trends in the base-case forecast.

A variety of "place types" were used to describe the preferred land use pattern for approximately 1,400 geographic planning areas across the region at the workshops that were held to create the Smart Growth Vision. The place types described average characteristics of the planning area, implied average densities, and assumed levels of population and employment. Since the goals described the level of growth occurring in the year 2020, the associated land-use data was used to describe the land amounts, and density levels available in the region until 2020.

Projections 2003 extends out to the year 2030. Therefore, for the time period beyond 2020, land-use potential was estimated using additional information from the workshops, existing data from local planning agencies, and policies that are consistent with the Vision. This data continues to be used for *Projections 2005*. Although future forecasts need a process for updating the data.

Assumption Three: Timing of Policy Change Impacts

There are a variety of reasons that cause ABAG to assume that any effect of policy changes to the forecasts will not occur for a number of years. Changes in land use and/or transportation policies that would impact development in the region must occur in the context of existing conditions and policy frameworks.

For example, one of the near-term policy changes that might occur would relate to transportation funding. The Metropolitan Transportation Commission (MTC), the regional agency responsible for allocating funds to regional transportation projects, will use the *Projections 2003* results in its "Transportation 2030" Regional Transportation Plan (RTP) to be released in 2005. However, this plan update will not affect projects that are well along in their development process and/or have committed funding (e.g. from local county transportation sales tax measures).

New, uncommitted money for projects occurs later in the time period covered by the RTP.

Similarly, changes in local and regional policies and regulations are assumed to occur after the State provides financial incentives through legislation, or at least more flexibility in the use of funds that already would be allocated to the region. The time needed to enact legislation, and then to see the effect of that legislation indicates that it will take several years until any physical changes can be expected to occur within the region. As a result, it is assumed that policy changes sufficient to alter patterns and the quantity of development will not take place until 2010. *Projections 2005* continues to use this assumption.

Assumption Four: Housing Development

It is assumed that a combination of regulatory and policy changes, along with partial government funding will be needed in order to spur an increase in overall housing production, and to channel housing toward infill sites. As a result of these policy changes, it is presumed that private investors will increase housing production because barriers to infill development have been eliminated, or offset in a way that investments are economically viable.

Initially, it is assumed that an increase in government funds of \$350 million annually will be made available to support housing programs in the Bay Area. To be consistent with subsequent assumptions about employment impacts, these funds would be transferred from other government programs in the Bay

Area. These government funds, along with unspecified changes in policies and regulations, will cause four times as much private investment to be added to the initial public investments. As a result, \$1.75 billion dollars in incremental housing investment would be made in the Bay Area. (In order to simplify the description it is assumed that investments are made in constant dollars.)

Assuming a housing unit price of \$350,000 in the initial years of a government funded housing programs (2010-2020), housing production will increase by 5,000 units annually, above the levels assumed in *Projections 2002*. Between 2020 and 2030, it is assumed that these programs will grow by 50 percent, so that a \$525 million annual public investment generates a total incremental housing investment of \$2.6 billion annually, and 7,500 more units annually than in the *Projections 2002* forecast.

While the assumed housing production in *Projections 2003* is at a slower rate than envisioned in the Vision goals, incremental housing production of 5,000 units would be 18 percent above annual production levels in 2000. An incremental production of 7,500 units is 27 percent above 2000 production levels.

In ABAG's view, these assumptions are fairly aggressive. Producing incremental housing equal to the amounts described in the Vision goals is implausible. It would have to be assumed that the program would consist of \$675 million annually in public funds, and an amount of private funds that would bring the total annual investment to \$3.4 billion annually, increasing by 50 percent in the last ten years of the forecast period. The resulting 9,640 unit annual production would be 35 percent above total housing production in 2000.

Increasing housing production by 35 percent is physically possible. As the graph on the following page shows, housing production reached much higher levels in parts of the 1970s and 1980s. However, it is questionable as to whether such a large change can be generated in the market without replacing normal private investment. Infill construction at higher densities is also more difficult to construct, as it is generally a unique product for investors, developers and lenders.

Even if one was willing to accept that there would be sufficient demand and supply for denser housing in transit oriented locations, and at Bay Area market prices, existing policies and regulations would remain an important limitation. There needs to be sufficient changes in policies in a sufficient number of jurisdictions to cause the change to occur. The public funds described here are insufficient to cause these changes on their own.

**Assumption Five:
Jobs in the Region Will Increase as
a Result of Smart Growth Policies**

Although the Vision assumed that jobs would not change from what has been seen in *Projections 2002*, the forecast does include increased levels of employment. Increased private investment in housing spurred by greater government-sponsored housing programs will generate a direct and indirect employment effect. These jobs represent both the direct construction employment caused by higher rates of housing production and indirect employment through the purchase of goods and services to support construction.

In addition, the increased population in the region forecasted in *Projections 2003* will generate additional spending. The incremental population will spend its income on goods and services in the local area. This effect accounts for a growing number of jobs by the end of the forecast period. *Projections 2005* would also assume some job input from increased construction and a larger regional population.

**Assumption Six:
Growth in Population and
Employment will Change to be
More Consistent with the “Vision”**

Previous ABAG forecasts were designed to be consistent with local land use policies, at least in the near term. It was typically assumed that local land-use policies limit growth in the first ten years of the forecast. Given the potential for changes in policies over a long period of time, it was not expected that current policies would completely restrict

growth in the long-term. Additionally, information available about redevelopment potential is often incomplete and is generally focused on the short term. The potential for redevelopment, or reuse of land in the region over the long-term contributes to potential that is in excess of existing policies. It is also common to find that land is physically available for development, but is not currently zoned for that development.

The Smart Growth Vision is a more transit-oriented distribution of development. Density is increased in already developed areas and growth is focused in existing cities and town centers, and along transit corridors. These concepts are not necessarily consistent with existing local policies, or with ABAG’s previous conception of land use. ABAG’s policy-based projections use information from the Smart Growth Vision as a starting point for the land use assumptions in the forecast.

Crafting land use policies based on the Vision required some further work to ensure consistency and practicality. This was due to the fact that the workshops from which the Vision stemmed were held in individual counties. This resulted in a unique Vision for each County that need to be reconfigured to meet the needs of the regional forecast. In addition, Contra Costa County directed its own workshop process known as the “Shaping Our Future” project. (For further information, see www.shapingourfuture.org.)

In addition to the difficulty of individualized Visions for each county, there were other hurdles with the Vision that needed to be overcome. One was the fact that the Vision far-exceeded the goals for incremental housing production. Additionally, it was assumed for certain geographic areas, that profound changes could be accomplished through redevelopment and reuse of land.

To remedy these complications, the land use data used in ABAG's modeling process started with the Vision goals and then adjusted the information in order to improve the consistency in assumptions between counties, and to insure that smaller planning areas did not assume development patterns that were clearly impractical. Further revisions to these assumptions were made as comments on the draft forecast were received from local jurisdictions.

The amount of redevelopment versus the amount of building that will occur on greenfield areas is directly related to the smart growth land use assumptions. In previous forecasts, it was assumed that land would be developed at a density identified in local plans. It was assumed that new development on greenfields would occur prior to redevelopment of inner city areas. Under the smart growth scenario, it was assumed that redevelopment and new development would occur at equal rates. If no new developable land

was available within a specific area where development was forecasted, then all of the subsequent growth would be redevelopment, rather than new development on greenfields.

**Assumption Seven:
Forecasted Household Income
Change Will Be Moderate**

It is assumed that household incomes will decrease in *Projections 2003* as compared to *Projections 2002*. This decrease is due to a variety of factors including: 1) an increase in construction, retail, and service jobs; 2) an increase in employed residents; 3) changes to the types of housing developed; and 4) an increase in housing production.

Traditionally, employment has been used as a predictor of income change, particularly when it can be associated with industries and occupations. With the new smart growth policies, a small change in total regional employment, and some redistribution of employment is anticipated in *Projections 2003*.

The additional jobs generated will be primarily in the construction, service and retail industries. These industries are usually thought to generate average to below average wages. However, since the number of households is forecasted to increase and the employment per household is expected to be relatively stable. The input of additional employment or household income will be relatively small.

Smart Growth policy assumptions will result in an increase in the number of employed residents. The increase is based on several factors. A comparison to the base case to *Projections 2003* suggests that: 1) inter-regional commuters will decide to relocate to the Bay Area; 2) some current residents will be convinced to stay; and/or 3) new residents will replace inter-regional commuters.

Some limited research indicates that current inter-regional commuters are a mix of long-time residents from surrounding counties,

former Bay Area residents who have relocated, or new residents to surrounding counties who are choosing to trade housing costs for commuting. Intuitively, it could be argued that since inter-regional commuters are trading lower housing costs for longer work trips, they have somewhat lower incomes than Bay Area residents. While the picture is probably somewhat more complex, this intuition is generally appealing, and provides a partial description of the demand side of the housing market.

A more significant change to incomes is expected from policies to promote different development types, more low and moderate income housing, and more over-all housing production. *Projections 2005* income levels are expected to be roughly inline with *Projections 2003*, with some adjustments made for the inclusion of newly available income data.

To some extent, lower housing costs might be absorbed by existing residents who could

choose to spend a smaller percentage of their income on housing. Existing residents might also choose to improve the quality of their housing for a similar price. Even so, it is expected that lower housing costs would filter through the market.

In addition to the incremental amount of housing to be built due to new policies, some of the housing that is already assumed to occur would change from single family housing to multi-family housing, and higher density housing. This would also result in some reduction in the average cost of housing in the Bay Area. But again, this is a shift in the proportion of new construction.

Increased housing production above base case levels should affect long term housing price trends, although it seems unlikely that housing prices would see an absolute decrease. While producing an incremental 5,000 housing units annually is a significant increase above current production levels, it is a relatively small change to the current 2.5 million

households in the Bay Area. Even assuming that only 5 to 10 percent of that total is available in any given year, the effect of these policies would only be an increase in available housing of 4 to 8 percent in a given year.

As a way of modeling these various choices, we assume that incremental housing in each county changes the base case household income forecast. We use a weighted-average of the household income in the base case and the incremental households in the Smart Growth forecast. Incremental households are assumed to have an income equal to 75 percent of the county median income. Median incomes in each county are assumed to have the same percentage rate of growth as mean household incomes. Counties with a reduction in the amount of housing compared to the base case do not see a comparable income effect. We assume that an increase in housing prices generated by a restrained supply is offset by changes in the type of development allowed under smart growth policies.

Conclusions

The proceeding analysis appears to indicate that the policy assumptions in *Projections 2003* are appropriate. Smart growth policies have widespread general support and there are numerous examples of local and regional programs that promote growth near transit and existing urban areas.

However, much of the legislative agenda that might result in substantial shift in growth patterns and income in density is still to be adopted. It addresses widely recognized problems and proposed solutions with extensive support, but has not yet found a consensus.

Local and regional policies and programs appear to be moving in a constructive direction. But, as anticipated in the forecast assumptions, changes in investment and construction patterns will take time. As a greater range of development options are demonstrated, smart growth is likely to be an increasing trend.

Analysis of forecasts and existing land use policies indicate that *Projections 2003* would shift development to TOD areas and that shift would exceed the development allowed for in local general plans. However, many general plans are dated and often their time horizon is much shorter than ABAG's forecast period.

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Appendix A: Smart Growth Monitoring Plan

The monitoring plan will be prepared every two years, concurrent with ABAG's update of the regional demographic projections.

Progress Report on Incentives

The monitoring report will include a section detailing the types of incentives the regional agencies have adopted or supported to help implement the Smart Growth land use projections. Prior to updating the projections, ABAG's Executive Board will be asked to review and approve the policy assumptions that will be included in the new economic and demographic forecast.

Tracking Report on Land Use Changes

The monitoring report will include a section focusing on local policy changes and actual land use changes that have occurred in response to the Smart Growth projections since the last monitoring report.

- Track the number of jurisdictions that have updated the local general plans and development regulations in response to the adopted regional "smart growth" demographic forecast. Identify the schedule, if known, for other jurisdictions to update the local general plans and development regulations.

- If local general plans and development regulations have been updated specifically, identify them and state the degree to which these changes are consistent with the adopted regional "smart growth" demographic forecast.
- Identify in key jurisdictions (including San Francisco, Oakland and San Jose) the current and forecasted change in overall population and employment density, and the change in population and employment density in areas within 1/2 mile of major transit facilities, due to local master plan and development regulation updates.

- Identify in key jurisdictions the current and forecasted change in type of construction, housing choices, and mixed-use development due to local master plan and development regulation updates.
- Identify any obstacles to the implementation of the adopted regional “smart growth” demographic forecast that are identified through the local planning process and/or updates to local general plan and development regulations. Discuss the extent to which regional housing allocations are being met, consistent with the adopted Smart Growth forecast.

Projects and Programs in MTC’s Regional Transportation Plan Supporting Smart Growth

As part of the monitoring report, MTC will identify the projects and programs that are included in the TIP and Regional Transportation Plan that will most directly help implement the Smart Growth demographic forecast and their implementation status.

Tracking Legislative Proposals Supporting Smart Growth

MTC will also track legislation that implements or supports the Smart Growth forecasts as part of its legislative monitoring effort included in the most current Overall Work Program. The monitoring report will summarize these Smart Growth legislative efforts.

Appendix B: General Plans — Last Updated

	LAND USE	CIRCULATION	HOUSING	OPEN SPACE	CONSERVATION	SAFETY	NOISE
ALAMEDA COUNTY							
Alameda	1991	1991	1991	1991	1991	1991	1991
Albany	1992	1992	1992	1992	1992	1992	1992
Berkeley	2001	2001	2001	2002	2002	2002	2002
Dublin	1992	1992	2003	1992	1992	1992	1992
Emeryville	1993	1993	2001	1993	1993	1993	1993
Fremont	1996	1996	2003	1995	1995	1995	1991
Hayward	2002	2002	2002	2002	2002	2002	2002
Livermore	1998	1994	1999	1994	1994	1994	1994
Newark	1992	1992	2002	1992	1992	1992	1992
Oakland	1998	1998	1992	1996	1996	1974	1974
Piedmont	1996	1996	2002	1996	1996	1996	1996
Pleasanton	1996	1996	1996	1996	1996	1996	1996
San Leandro	2002	2002	2002	2002	2002	2002	2002
Union City	2002	2002	2002	2002	2002	2002	2002
Alameda County	2002	2002	2002	2002	2002	1982	1975
CONTRA COSTA COUNTY							
Antioch	1988	1988	1992	1988	1988	1988	1988
Brentwood	2001	2001	1998	1993	1993	1993	1993
Clayton	2001	2001	2001	2001	2001	2001	2001
Concord	2001	2000	2003	1994	1994	1994	1994
Danville	1999	1999	2001	1999	1999	1999	1999
El Cerrito	1999	1999	1999	1975	1975	1999	1975
Hercules	1998	1998	2003	1998	1998	1998	1998
Lafayette	2002	2002	2002	2002	2002	2002	2002
Martinez	1995	1995	1995	1995	1995	1995	1995
Moraga	2002	2002	2002	2002	2002	2002	2002
Oakley	1996	1996	1996	1996	1996	1996	1996
Orinda	1989	1987	1991	1987	1987	1987	1987
Pinole	1995	1995	2003	1995	1995	1995	1995
Pittsburg	2001	2001	1994	2001	2001	2001	2001
Pleasant Hill	2003	2003	2003	2003	2003	2003	2003
Richmond	1998	1994	1994	1996	1996	1996	1994
San Pablo	1996	1996	2002	1996	1996	1996	1996
San Ramon	2002	2002	2002	2002	2002	2002	2002
Walnut Creek	1993	1996	1994	1996	1996	1996	1996
Contra Costa County	1996	1991	2001	1991	1991	1991	1991

	LAND USE	CIRCULATION	HOUSING	OPEN SPACE	CONSERVATION	SAFETY	NOISE
MARIN COUNTY							
Belvedere	1994	1994	1994	1994	1994	1994	1994
Corte Madera	1992	1989	2002	1989	1989	1989	1989
Fairfax	1987	1987	1990	1987	1987	1987	1987
Larkspur	1990	1990	1990	1990	1990	1990	1990
Mill Valley	2002	1989	2003	2002	1989	1989	1989
Novato	1996	1996	1996	1996	1996	1996	1996
Ross	1988	1988	1988	1988	1988	1988	1988
San Anselmo	1995	1991	1995	1991	1989	1976	1989
San Rafael	1996	1996	1996	1988	1988	1988	1997
Sausalito	1995	1995	1995	1995	1995	1995	1995
Tiburon	1990	1994	1994	1990	1990	1990	1990
Marin County	1994	1994	1994	1994	1994	1994	1994
NAPA COUNTY							
American Canyon	1994	1994	1994	1994	1994	1994	1994
Calistoga	2003	2003	2003	2003	2003	2003	2003
Napa	1998	1998	2001	1998	1998	1998	1998
St. Helena	1993	1993	2002	1993	1993	1993	1993
Yountville	2001	1994	2002	1994	1994	1994	1994
Napa County	1999	1996	1996	1998	1998	1996	1996
SAN FRANCISCO COUNTY							
San Francisco	1997	1995	1992	1998	1996	1997	1996

	LAND USE	CIRCULATION	HOUSING	OPEN SPACE	CONSERVATION	SAFETY	NOISE
SAN MATEO COUNTY							
Atherton	1990	1990	1991	1990	1990	1990	1990
Belmont	1982	1982	2002	1994	1982	1982	1996
Brisbane	1994	1994	2002	1994	1994	1994	1994
Burlingame	1969	1969	2002	1973	1973	1975	1975
Colma	1999	1999	1999	1999	1999	1999	1999
Daly City	1987	1987	1996	1987	1989	1994	1989
East Palo Alto	1999	1999	1999	1999	1999	1999	1999
Foster City	1999	1999	2001	1993	1993	1995	1993
Half Moon Bay	1993	1992	1994	1993	1993	1991	1991
Hillsborough	1995	1994	2002	2002	2002	1994	1994
Menlo Park	1994	1994	1992	1973	1973	1976	1978
Millbrae	1998	1998	1998	1998	1998	1998	1998
Pacifica	1988	1980	1992	1984	1980	1983	1980
Portola Valley	1998	1998	1998	1998	1998	1998	1998
Redwood City	1990	1993	1993	1990	1990	1990	1990
San Bruno	1984	1984	2001	1984	1984	1984	1984
San Carlos	1994	1992	2001	1992	1992	1992	1992
San Mateo	1997	2003	2002	1997	1997	1997	1997
South San Francisco	1999	1999	1992	1999	1999	1999	1999
Woodside	1988	1988	2001	1988	1988	1988	1988
San Mateo County	1986	1986	1992	1986	1986	1986	1986
SANTA CLARA COUNTY							
Campbell	2001	2001	2001	2001	2001	2001	2001
Cupertino	2001	1998	2001	1998	1998	1999	1998
Gilroy	2002	2002	2002	2002	2002	2002	2002
Los Altos	2002	2002	2001	2002	2002	2002	2002
Los Altos Hills	1994	1999	2002	1995	1993	1993	1993
Los Gatos	2000	2000	2002	2000	2000	2000	2000
Milpitas	2002	1998	2002	1998	1998	1998	1998
Monte Sereno	1996	1996	1996	1996	1996	1996	1996
Morgan Hill	2001	2001	2001	2001	2001	2001	2001
Mountain View	1995	1992	2002	1992	1992	1992	1992
Palo Alto	1998	1998	2002	1998	1998	1998	1998
San Jose	2003	2003	2003	2003	2003	2003	2003
Santa Clara	2002	2002	2002	2002	2002	2002	2002
Saratoga	1983	2000	2002	1993	1988	1987	1988
Sunnyvale	1997	1997	2002	1992	1996	1993	1997
Santa Clara County	1995	1995	2003	1995	1995	1995	1995

	LAND USE	CIRCULATION	HOUSING	OPEN SPACE	CONSERVATION	SAFETY	NOISE
SOLANO COUNTY							
Benicia	1999	1999	2003	1999	1999	1999	1999
Dixon	1994	1994	2002	1994	1994	1994	1994
Fairfield	2002	2002	2002	2002	2002	2002	2002
Rio Vista	2001	2001	2001	2001	2001	2001	2001
Suisun City	1992	1992	1992	1992	1992	1992	1992
Vacaville	1999	1999	2001	1999	1999	1999	1995
Vallejo	1999	1999	2001	1999	1999	1999	1999
Solano County	1999	1999	1992	1996	1996	1977	1977
SONOMA COUNTY							
Cloverdale	1992	1992	2002	1992	1992	1992	1992
Cotati	1998	1998	1998	1998	1998	1998	1998
Healdsburg	2002	2002	2002	2002	2002	2002	2002
Petaluma	1999	1999	2002	1987	1987	1987	1987
Rohnert Park	2000	2000	2001	2000	2000	2000	2000
Santa Rosa	2002	2002	2003	2002	2002	2002	2002
Sebastopol	1994	1994	2003	1994	1994	1994	1994
Sonoma	1995	1995	1995	1995	1995	1995	1995
Windsor	2000	2000	2002	2000	2000	2000	2000
Sonoma County	1998	1998	2002	1998	1998	1998	1998

Appendix C: Survey Form



Smart Growth and Local Policy Changes

Questions for San Francisco Bay Area Cities and Counties

March 4, 2004

Dear City, Town, or County Planning or Community Development Director:

RE: *Questionnaire on Smart Growth and Smart Growth Policies*

I am writing to request your cooperation in completing this questionnaire.

Local and regional leaders throughout the Bay Area are looking to smart growth policies and principles as a better way to accommodate growth. ABAG needs to determine whether cities and counties are incorporating these principles into their planning policies.

In order to be able to "track" different policy changes, we need your assistance. The purpose of this survey is to ascertain what changes your agency is considering or has adopted in the last couple of years which are related to smart growth. We are interested in knowing about major general plan, zoning, policy, ordinance, or initiative changes related to smart growth.

When you have completed the questionnaire, please mail it back to ABAG in the envelope provided. If you have any questions about how to answer this questionnaire, please contact Patricia Perry at 510-464-7957, or via email at patriciap@abag.ca.gov.

We are hoping to receive this questionnaire from you by March 26. When the questionnaire results are compiled later this Spring, a copy will be mailed to everyone who participated. Thank you in advance for your interest and support of this project.

Sincerely,

Eugene Y. Leong
Executive Director
Association of Bay Area Governments

Jurisdiction name _____ Your name _____
<p><i>NOTE--The following question distinguishes ADOPTED from proposed changes.</i></p> <p>1. In the last two years, has your jurisdiction adopted specific changes to policies, plans, zoning, or other ordinances which implement smart growth principles?</p> <p style="text-align: right;"><input type="checkbox"/> Yes <input type="checkbox"/> No <i>(If no, go to Question 2.)</i></p> <p><i>If yes, please check all that apply.</i></p> <p>Residentially Zoned Land</p> <ul style="list-style-type: none"> <input type="checkbox"/> Higher density closer to job centers <input type="checkbox"/> Higher density near transit <input type="checkbox"/> Higher density in or near downtown <input type="checkbox"/> More mixed use permitted <input type="checkbox"/> Fewer parking spaces required for certain new housing units <input type="checkbox"/> Walkability standards <input type="checkbox"/> Financial or other incentives toward increasing housing production <p style="text-align: right;">If yes, please describe _____</p> <p><input type="checkbox"/> Other _____</p> <p>Commercial/Industrial Zoned Land</p> <ul style="list-style-type: none"> <input type="checkbox"/> Higher density near transit <input type="checkbox"/> Higher density near or in downtown <input type="checkbox"/> Fewer parking spaces required near transit <input type="checkbox"/> Walkability standards <input type="checkbox"/> Other _____ <input type="checkbox"/> Other _____ <p>Other relevant policies</p> <p>_____</p> <p>_____</p>
<p>2. Do other existing factors in your community--initiatives, redevelopment zones, etc.--either limit or increase land use densities?</p> <p style="text-align: right;"><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please explain _____</p> <p>_____</p>

NOTE--The following question distinguishes PROPOSED from adopted changes.

3. Is your jurisdiction considering specific changes to policies, plans, zoning, or ordinances which would implement smart growth principles? Yes No
(If no, go to Question 4.)

If yes, please check all that apply.

Residentially Zoned Land

- Higher density closer to job centers
- Higher density near transit
- Higher density in or near downtown
- More mixed use permitted
- Fewer parking spaces required for certain new housing units
- Walkability standards
- Other _____
- Other _____

Commercial/Industrial Zoned Land

- Higher density near transit
- Higher density near or in downtown
- Fewer parking spaces required near transit
- Walkability standards
- Other _____
- Other _____

Other proposed policies

4. May we contact you or a member of your staff if we have questions?

- Yes No

Questions? Call Patricia Perry at (510) 464-7957, or e-mail her at patriciap@abag.ca.gov.

Feel free to add additional comments. We have provided a space on the back of the survey. If you wish to submit any written material, please do so by enclosing it with this questionnaire.

Contact Name: _____

Title: _____

Department: _____

Phone: () _____ - _____

Email _____

Additional Comments/Background Information

Thank you for your help.

Please return your completed questionnaire in the enclosed envelope to:

**Smart Growth Survey
Association of Bay Area Governments (ABAG)
P.O. Box 2050 - Oakland, CA 94604-2050**

Appendix D: ABAG-MTC Regional Planning Program

ABAG-MTC Regional Planning Program

Date: September 1, 2004

To: ABAG-JPC Joint Policy Committee

From: Ted Droettboom, Regional Planning Program Director

Subject: Regional Planning Work Program, October, 2004 – March, 2005

This memo details a proposed JPC regional planning program for the next six months. At this early stage in the JPC's evolution, I am asking the Committee to approve a work program a half year at a time. While annual programs are appropriate for larger, more mature organizations, I believe that the learning process we are going through demands shorter-term commitments and a more flexible programming approach. The first program will take us through to the end of March, culminating in a progress review and new quarterly work program at the Committee's meeting in April.

In this first program, there is a heavy emphasis on the Regional Planning Program Director as the primary staff resource. I did not want to disrupt work programs in MTC or ABAG that were committed before my arrival. Over time, my expectation is that we will build to more joint work program activities, involving fairly substantial resource commitments from both organizations—but only as previous commitments are completed.

You will recall that at the JPC meeting of August 11th, I presented some work program principles as follows:

- Build on what we have;
- Emphasize tangible achievements;
- Identify tasks before responsibility;
- Link tasks to the vision;
- Promote and reinforce the vision.

I also presented a general work program approach:

1. Accept the vision;
2. Review, refine and support implementation underway;
3. Identify and pursue other low-resistance implementation measures;
4. Use the vision as a basis for review and comment on regionally significant projects;
5. Investigate the feasibility and acceptability of more difficult implementation measures; build cases as required;
6. Promote, test, refine and expand the vision through implementation and monitoring;

Regional Planning Work Program

2

7. Investigate the feasibility and desirability of filling in policy and implementation gaps.

The proposed work program builds on the Committee's discussion of my presentation—particularly on the Committee's desire to not simply accept the regional vision, but to confirm it with local governments.

I propose that the first six-month program have the following elements:

1. **Objective: Initiate process for local confirmation of the regional vision (Smart Growth Strategy/Regional Livability Footprint Project) and local implementation of a voluntary regional interest statement for major project review.**

We will prepare a short summary of the regional vision and a simple scorecard for use by localities in assessing the regional impact of major projects, and then negotiate a process with the Bay Area Planning Directors Association for reporting to local councils and boards for approval and implementation.

2. **Objective: Prepare ABAG-MTC regional planning bill proposals and legislative strategy for 2005-2006 session of the State Legislature.**

After receiving JPC approval for a general approach (see item 4 on today's agenda), we will firm up bill content, draft bill language, and develop a strategy for introducing and pursuing ABAG-MTC regional planning legislation through the next session.

3. **Objective: Provide JPC review and comment on pre-existing MTC or ABAG work program items related to implementation of the Smart Growth Strategy/Regional Livability Footprint Project.**

We will facilitate the Committee's review of a number of regional work items that can assist the implementation of the Smart Growth vision (see items 5 and 6 on today's agenda).

4. **Objective: Develop a mechanism and process for regional planning comment on significant projects.**

We will develop and (subject to the Committee's approval) implement a proposal for improving the relevance and effectiveness of the present regional clearing-house process, including the identification and review of projects that do not receive federal funding and the inclusion of the JPC and its regional policy objectives as a central part of the process.

5. Objective: Develop a communication strategy to build wider understanding and support for the regional planning vision.

We will identify target audiences, messages, media and potential communication partners; develop a coordinated strategy; and prepare a budgeted proposal for the JPC's consideration. A critical consideration is whether communication is directed to the general public or is aimed, at least initially, at a more limited audience of key opinion leaders.

6. Objective: Assemble implementation tool kit.

We will identify best practices from around North America and the world, assess applicability to the Bay Area, develop a standardized format for describing practices, and assemble a looseleaf and online catalog for use by regional and local practitioners. The smart growth movement has more tool kits than Heinz has varieties. The emphasis here will be to focus on those tools with particular applicability to the Bay Area and the adopted regional vision.

7. Objective: Identify areas of focus for regional implementation resources.

The region will not be effective in achieving smart growth if it dilutes its limited resources across the Bay Area without differentiation. Intelligent implementation needs to recognize that some areas are more ready and appropriate than others for the immediate concentration of effort. The direction of resources to specific opportunities will also respect the unique geographic structure and history of the Bay Area and acknowledge that universal and simultaneous application of smart growth principles to all areas will lead to a lowest common denominator, which is not very "smart" at all. This work item, culminating in a report to the Committee, will identify priority areas for the direction of the region's efforts and recommend general approaches appropriate for each.

8. Objective: Initiate monitoring and evaluation.

We will begin a process to continually assess the region's receptiveness to the vision and our success in implementation, building on and consolidating monitoring efforts already underway in both ABAG and MTC and in the voluntary sector. The resultant intelligence will assist in navigating obstacle strewn waters and maintaining progress toward the vision. Initial monitoring will consist of a relatively informal inventory of successes and difficulties, but will become more formal and systematic as we identify key, measurable progress indicators.

Recommendation

With the concurrence of the Executive Directors of ABAG and MTC, I recommend that the Joint Policy Committee approve the above work program to guide activities during the final three months of 2004 and the first three months of 2005.

ABAG-MTC Regional Planning Program

Date: August 30, 2004

To: ABAG-JPC Joint Policy Committee

From: Ted Droettboom, Regional Planning Program Director

Subject: 2005-2006 ABAG-MTC Joint Legislative Agenda—First Thoughts

As one element of a JPC regional planning work program, I have done some preliminary work on a proactive ABAG-MTC legislative agenda for regional planning. The idea is for the JPC to put forth its own legislative proposal to the next session, rather than merely react to whatever emerges from the members in Sacramento. This memo records some initial ideas on this subject and seeks Committee guidance on next steps.

Adhering to the general principal of building on what we already have, and as a first step, I inventoried the legislative initiatives identified in the *Smart Growth Strategy Regional Livability Project*. As some of these were very general and mixed together local regulatory choices with desired state legislation, I also looked at some other contemporaneous sources: *The Compact for a Sustainable Bay Area*; the Urban Land Institute's *Putting the Pieces Together: State Actions to Encourage Smart Growth Practices in California*; the Metropolitan Area Research Corporation's *California Metropatterns: A Regional Agenda for Community and Stability in California*; and *The New California Dream: Regional Solutions for 21st Century Challenges*, the final report of the Speaker's Commission on Regionalism. The last two documents are consistent in general legislative direction with the first three, but add no new specifics. Therefore, they are not explicitly noted in the inventory table attached to this memo.

The accompanying table lists various specific legislative initiatives, identifies sources and, where possible, ties these to actual existing or proposed legislation. Given the complexity and opacity of the California legislative process, I am not confident that I have made all the relevant connections yet.

I have made a few comments on some of the proposed initiatives. Most of these comments address the relationship of the proposed initiative to the central regional planning/smart growth purpose. I found many of the initiatives, while worthwhile, to be somewhat marginal to regional planning; they are supportive, but not critical to getting smart growth happening. Including them in our legislative agenda would, I fear, blur focus and dilute effectiveness. I also note that many of the initiatives require a substantial resource commitment from the State. This is likely not achievable in the current fiscal climate.

Of the initiatives that remain, there are four clusters which could be genuinely and powerfully useful to the cause of regional planning. These are: (1) local-government fiscal

reform, (2) protection from excessive construction defect litigation, (3) reform of the housing needs determination process and (4) neighborhood-specific planning/CEQA expedition.

1. Fiscal Reform

The first cluster of initiatives, related to local-government fiscal reform, is pervasive in nearly all thinking and writing about California regional development. The so-called "fiscalization of zoning," in association with other forces like NIMBYism, may be a force in causing some localities to be less welcoming to new housing than they otherwise might be. And, in combination with insular planning, it may lead to the oversupply of new retail space and the associated deterioration of traditional, neighborhood-oriented commercial areas. Please note the conditional language in the above description; it is easy to find exceptions to the general rule that the current distribution of sales and property tax revenues leads to regionally bad land-use decisions. Clearly, however, it does stack the deck and is not generally helpful to sustainability objectives.

Curiously not mentioned in any of the documentation reviewed for the inventory is the perverse effect that Proposition 13 may have in encouraging the over-consumption of housing by empty-nesters and the withholding of some existing family housing stock from the market. This may contribute to suburban development pressures and sprawl. While less related to regional-planning objectives, the patently unjust inequities built into the current property tax system also point to a need to for a fundamental reform.

Unfortunately, the recent budget deal between the state and local governments and the possibility of cementing the resultant fiscal arrangements in the state constitution may make meaningful fiscal reform more difficult than ever. Certainly, the "a deal is a deal" climate likely to follow the recently intense negotiations will make a 2005-2006 timing a difficult one for the serious consideration of radical alternatives.

Suggestions for fiscal reform are many. They range from the simple return of property tax revenue diverted from local governments for educational purposes, to property and sales tax swapping between cities and counties, to various other arrangements for tax-base sharing, as in Minnesota. We are currently not in a good position to evaluate and recommend among these alternatives.

There is also a substantial worry about simply applying additional patches to a structure that appears to be fundamentally unsound. California arrived at the current precarious position through *ad hoc* changes, perceived as improvements. Does the region want the state to continue making incremental changes, creating as many unintended negative consequences as genuine benefits, or does it want to call for a more thorough, thoughtful redesign of the mechanisms for financing local government? Most intelligent observers of California fiscal history would opt for the latter, recognizing that implementation would have to be incremental but that we would be building toward a common, more holistic vision of local government finance. That vision would be responsive to multiple objec-

tives including stability, predictability, equity, simplicity, administrative efficiency, and of course adequacy.

Unfortunately, while a fundamental rethink may be the right way to go, it is probably not palatable at this time. Therefore, it is probably best to let this one lie—at least for now. Eventually, as the current arrangement begins to crumble, there may be an opportunity for the voice of rational reason to intervene, but legislative proposals in this area would probably not be welcome at the moment.

2. Construction Defect Litigation

There were at least three bills before the recent legislative session which declared an intent to protect builders from excessive litigation. Presumably these were placeholders for more specific legislation being prepared and advocated by the industry.

To the extent that fear of unreasonable litigation is a genuine disincentive to multi-family development, the region should be supportive of reforms which reduce the likelihood of frivolous and expensive suits and which substitute other less-costly and time-consuming mechanisms for dispute resolution. Of course, the region also wants to ensure that consumers are protected, and it does not want to encourage shoddy and dangerous construction.

Given the obvious industry interest in this subject and the activity already exhibited in Sacramento, there is probably not much utility in pursuing a separate and independent legislative initiative on this issue. At minimum the JPC should maintain a watching brief and provide comments and support when appropriate. A step up from this would be to contact the principal advocates of potential legislation, most likely the Homebuilders' Association, and offer assistance in vetting drafts and making suggestions which would help balance interests.

3. Housing Needs Determination

The present process is a substantial irritant to local governments, consumes a phenomenal amount of ABAG staff effort and does not seem to result in much positive change. There is, however, some potential to use the negotiation of local housing targets as a positive element for regional planning.

Two complementary bills in the recent session, AB 2158 and AB 2348, aim to change the process and the related general plan housing element requirements. Both bills are now on the Governor's desk for signature.

In this context, an immediate legislative initiative from the region would probably not be welcomed. However, assuming the new bills are signed into law, we should be preparing an analysis of their impact on the region and its constituent local governments. Staff should report to the JPC on what improvements (if any) the new bills permit in the needs determination process, what new issues (if any) they create, and what reforms remain de-

sirable to make the housing allocations genuinely useful for pursuing the regional vision. These may become part of a future legislative agenda.

4. Neighborhood Planning and CEQA

This is the area in which a joint legislative proposal from MTC and ABAG could make the most sense and have the highest impact. Furthermore, it is possible to construct an integrated and comprehensive package, clustering together initiatives 2, 5, 6, 9, 17, 18, 19, 20, 22, 24, 25, 26, 27, 29, 30 and 32 from the accompanying table. The package would build on three big ideas underlying the various individual initiatives: (1) the need for long-term, area-specific plans; (2) the desire for a streamlined, expedited approval process, particularly as it relates to CEQA; and (3) the perception that some localities may require incentives to do the right thing.

To address each of these ideas together in a synergistic way that builds commitment from plan through implementation, I propose something which might tentatively be called the Environmental Protection Through Planned Communities Act.

To build the act, we start with the premise that one of the things that has fallen by the wayside—or will fall—as the result of rapid growth coupled with local-government belt-tightening is good mid-level city planning. This includes the specific, neighborhood, or local-area planning efforts that lie between mandatory general plans and development entitlements. These plans spell out the relationships between relatively precise uses and densities, make concurrent infrastructure and amenity commitments and give developers and the community some sense of certainty that developments will be approved and that growth will occur in a comfortable and compatible manner. A frequent criticism is that planning departments have become permit-processing mills, and that in the absence of planning and the certainty it provides, communities have turned to CEQA and other one-off processes to protect themselves. Negotiating good development then becomes a lengthy, costly, uncertain process that nobody likes. Further, the resultant neighborhoods, constructed from a series of *ad hoc* decisions, miss complementary uses and amenities, do not hang together well and are generally not as pleasant and attractive as they could have been.

Therefore, the first element in the proposed act is state funding of planning grants to produce specific neighborhood plans, subject to a few smart-growth and planning process criteria. In particular:

Residential area plans shall be to build or fill-in *complete* neighborhoods, containing a mix of uses that make it possible to meet most everyday needs for goods and services without driving, and shall result in an increase in housing, consistent with regional housing objectives.

Plans for industrial or office areas shall be to redress an existing jobs-to-resident imbalance and shall be aimed at creating employment opportunities appropriate to the adjacent work force.

The plans shall be for the in-fill of existing urbanized areas, the redevelopment of brownfields or other redundant and underutilized urban sites and/or be oriented to transit, either in a station area or along a high-capacity bus corridor.

The planning process must have an explicit and deliberate public-participation component, sufficient to ensure that the impacts on the existing and adjacent communities and local public objectives have been seriously considered.

Planning shall be completed to a level of detail and environmental impacts shall be assessed sufficient to allow a CEQA determination for the entire area at build-out.

The second element in the act is hinted at by the last planning criterion. This is permission for an expedited development approvals process, by-passing normal project-specific CEQA processes. The assumption is that CEQA requirements will be met or essentially “wholesaled” by the specific area plan, as is permitted under the Master Environmental Impact Report provisions of the present CEQA legislation. Under the act, the completion of an approved plan, accompanied by a Master EIR, becomes the gateway to a substantial regulatory concession. While this is a pooling of CEQA considerations, and not a CEQA exemption, there could be an implicit recognition that compact, smart development that reduces automobile travel demands is inherently more environmentally responsible than most alternatives and therefore deserves some benefit-of-doubt in the impact assessment process.

The third and final element in the act is to provide incentives to localities and developers, so that development may actually occur in the planned areas. The expedited CEQA process may be enough for many development interests, but additional possibilities, available to areas that have met eligibility requirement by completing approved smart-growth community plans, include:

The use of tax-increment financing to pay for infrastructure and amenity improvements and possibly for affordable housing subsidies;

The priority assignment of brownfield cleanup assistance (e.g., loans, grants, expedited assessment and agreement processes);

Priority availability of state infrastructure and school capital funds, including the bending of the criteria for the latter to allow for neighborhood-scale school sizes and multiple community uses;

The formation of an area-specific committee of state agency representatives to coordinate state investments and programs in assistance to plan implementation;

The availability of small TLC-like matching grants to assist context-setting capital improvements.

The Achilles heel in the proposed act is, of course, the requirement for state funding—particularly for planning grants (Much of the capital improvement money could come from bending priorities in existing funded programs.). In the current tight times, additional funds to localities will be hard to come by. The region will need to build a convincing argument that this will save state money in the long term and that it will assist in solving some persistent state problems (particularly the availability of affordable housing in proximity to jobs, which currently acts as a disincentive to corporate investment, job creation and tax revenue generation). We can also argue that planning is not all that expensive. A few million dollars can fund an awful lot of area-specific planning.

This proposal clearly needs a lot of work. We need to fill in details and get stakeholder buy-in, write some actual bill language in the context of existing legislation, and strategize an approach to the Legislature and the Governor. However, a comprehensive, beginning-to-end approach to smart growth offers the most promise for moving from idea to implementation.

Recommendation

I recommend that the Regional Planning Program Director work with ABAG and MTC staff to pursue the approach outlined in this memo, in particular:

That there be no initiative relating to local-government fiscal reform at this time;

That staff offer to review and comment on proposed legislation relating to construction defect litigation and closely monitor its progress through the legislature;

That staff prepare a report on the impact of new legislation governing housing needs determination, particularly relating to the objective of making the process less cumbersome, less artificial and more relevant to implementation of the regional vision;

That staff prepare a detailed package—including bill language, supporting communication material and a legislative strategy—to introduce and gain passage of a bill facilitating local specific planning, expedited development approvals, and incentives for plan implementation (the “Environmental Protection through Planned Communities Act”).

Appendix E: Housing Needs Law Changes

Date: October 22, 2004

To: Joint Planning Committee

From: Alex Amoroso, Principal Planner ABAG

Re: Smart Growth Implications of Recent Housing Law Changes

Introduction

During the most recent legislative session, two housing bills were signed into law and affect the Regional Housing Needs Allocation Process (RHNA). These two bills (AB2158, Lowenthal and AB2348, Mullin) represented in law as Chapters 696 and 724 respectively, have implications not only to the Housing Element process, but also to the smart growth implications of State policy. The two pieces of law were arrived at through a process developed by the Department of Housing and Community Development (HCD). The Housing Element Working Group (HEWG) was created and served as a technical advisory group to HCD and the staff of the Legislature. Members of the HEWG included representatives from the California League of Cities, California State Association of Counties, several housing advocacy groups, both for- and non-profit developers, building associations and councils of governments. The HEWG worked for approximately six months to craft legislative language that strengthened and clarified Housing Element Law and reflects a number of trade-offs between the involved parties.

The two bill packet was moved through the legislative process and into law as a joint piece of work. Both pieces were necessary to carry out the intent of the HEWG and legislators who carried the bills.

This report highlights changes in the law and suggests what opportunities might result from their implementation. While not an exhaustive analysis of the new laws, the report does highlight the areas that the JPC and others could focus their attention. The new laws are reviewed in the context of their smart growth implications.

Bill Highlights

AB2158, Lowenthal

1. A set of four objectives has been added that suggests the RHNA process should:
 - promote increasing the supply of housing equitably throughout the region and with each jurisdiction receiving a share of low and very low income units
 - promote infill development and socioeconomic equity, protect agricultural and environmental resources, and encourage efficient development patterns
 - promote an improved intraregional relationship between jobs and housing
 - redistribute the proportionate shares of lower income households away from those jurisdictions that have a disproportionately high share

This addition of intent language couches the RHNA process in the broader planning process of local jurisdictions (general plans) and implies a shift in the patterns of development to both accommodate more housing and preserve resources. These concepts are addressed in the RHNA requirements for allocation by the COG and through allowances for redistribution of units between jurisdictions.

2. The regional allocation from HCD to the COG will now be more closely tied to the overall projections of growth used in the Regional Transportation Plan (RTP). In the Bay Area, ABAG's Projections are used to prepare the RTP. If the State's RHNA allocation and the regional RTP projections are within three percent, then the regional projections will be the basis. A process has been instituted that will allow for dialogue between HCD, the COG and the Department of Finance, hopefully resulting in resolution of differences in excess of the three percent marker.

This allows for a greater focus on the region's assumptions about overall growth, assuming it is in the ballpark of the State's assumptions.

3. Cities and a county or counties may form a subregional entity within which RHNA numbers may be allocated through a mutually agreed upon process. The timing and process for the subregional allocations is spelled out in the law. The COG is still responsible to provide an overall allocation to the subregion, however the actual authority, within the context of the law, is placed with the subregional group for making the distribution. This process can now begin prior to the distribution of RHNA allocations. In addition, this portion of law is more clearly defined as a result of the changes.

Such an allowance for subregional delegation/responsibility allows for a more localized approach to land use decisions and housing need that can better respect local and subregional needs.

4. The set of factors that must be considered in the allocation process undertaken by the COGs has been modified. The revised list includes:
 - jobs/housing relationships
 - infrastructure capacity limitation outside the control of local authority
 - availability of land including underutilized and underdeveloped land that might increase capacity for housing
 - lands preserved or protected under state or federal laws
 - county controls over development of agricultural lands
 - RTP assessments of growth and focus of transit and transportation infrastructure.

These factors can be weighted by the COG to define their level of importance to a given region. The COG is required to use the factors to the extent that sufficient data is available at a regional level. The factors, survey for information and weighting give regions and local jurisdictions a way to address local constraints as well as reflecting state goals.

AB2348, Mullin

1. The sites analysis portion of the Housing Element Law has been amended. These new requirements are meant to provide more clarity and surety in the consideration of sites and programs available to develop housing during the Housing Element cycle.
2. Local jurisdictions may substitute up to 25% of their RHNA allocation with committed assistance units (rehab, purchases of subsidized units) rather than new construction. This encourages existing units to be preserved and should help jurisdictions with limited availability of land and sites.
3. Those jurisdictions that are unable to, or choose not to identify sufficient sites to accommodate their RHNA will then be required to address minimum densities in the housing

element update. These minimum densities have been identified in the legislation and in terms of unincorporated, suburban, non metropolitan and metropolitan subsets.

4. Projects that are consistent with the adopted housing element (provision of housing on an identified site) may be inconsistent with the general plan and/or zoning ordinance. If this occurs, it does not preclude the local jurisdiction from approving the proposed development.

5. A set of findings allow local jurisdictions to find against a development that meets current general plan and zoning ordinances under certain conditions. However, the findings requirements are stringent.

6. Imposition of development standards that render a site, already identified for housing, as not available for development at the proposed density of the general plan would not be allowed.

These pieces, in conjunction with the prior legislation, show a pattern of providing certainty to the development community. In another sense, they provide back up to the local jurisdiction board or council to approve development with the back up of state law.

Conclusion

The two new laws have implications to smart growth including:

- Intent language that couches the RHNA process in the need to preserve and protect resources, link housing production to jobs and transportation availability, and promote infill development patterns

- Provisions that can limit the development of housing in unincorporated areas are not appropriate for development.

- Clear factors for consideration in the methodology that reflect capacity and habitat preservation issues

- Allowance for the subregional reallocation of units to better reflect identified needs in a multi-jurisdictional area

- Greater certainty in identifying sites and approving development of infill housing, with back-up of state law to defend the approvals.

Note: Because these laws mandate new work on both the regional governments and local governments, the laws are considered to be State mandates. Conversations are happening in Sacramento regarding how these new mandates might be funded.