Date: January 7, 2014

To: Executive Board

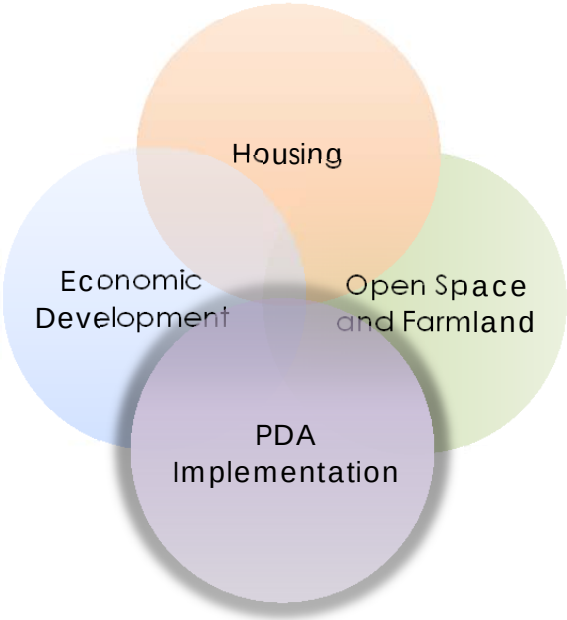
From: Miriam Chion, Research and Planning Director

Subject: **Inner Bay Area Corridors PDA Implementation**

1. Introduction

At the September Executive Board meeting, staff presented a framework for implementing Plan Bay Area with four focus areas: Housing, Economic Development, Open Space and Farmland, and Priority Development Area (PDA) Implementation.

Figure 1. **Plan Bay Area Implementation Focus Areas**



The PDA Implementation effort is structured around geographic clusters of PDAs: Inner Bay Area Corridors, North Bay, Tri-Valley, and Central/Eastern Contra Costa, as shown in Figure 2. The first phase focuses on the Inner Bay Area Corridors, which stretch between San Francisco, San José, Oakland, and West Contra Costa County. Over the past three months, staff has worked in partnership with MTC and the county Congestion Management Agencies (CMAs) to hold dialogues and site visits with Inner Bay Area jurisdictions to understand their unique challenges and identify opportunities for collaboration. Together, these jurisdictions are expected to take on two-thirds of the region's growth between 2010 and 2040. ABAG staff also conducted preliminary analyses of the economic and demographic dynamics of the corridors. This memo presents key findings from these meetings and analyses, and identifies the top five opportunities for ABAG to support development of complete communities in the Inner Bay Area PDAs.

Figure 2. **PDA Geographic Clusters**

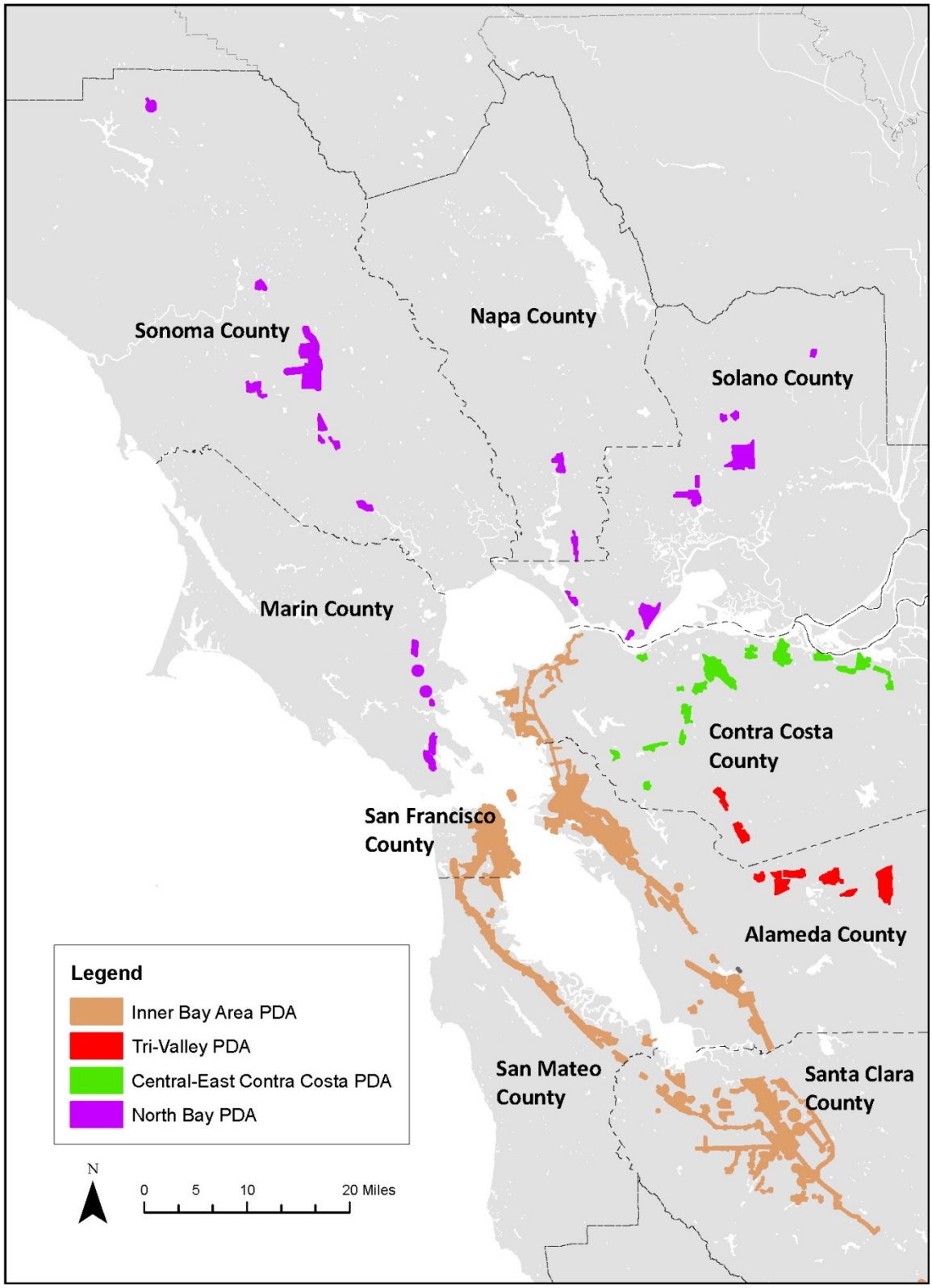
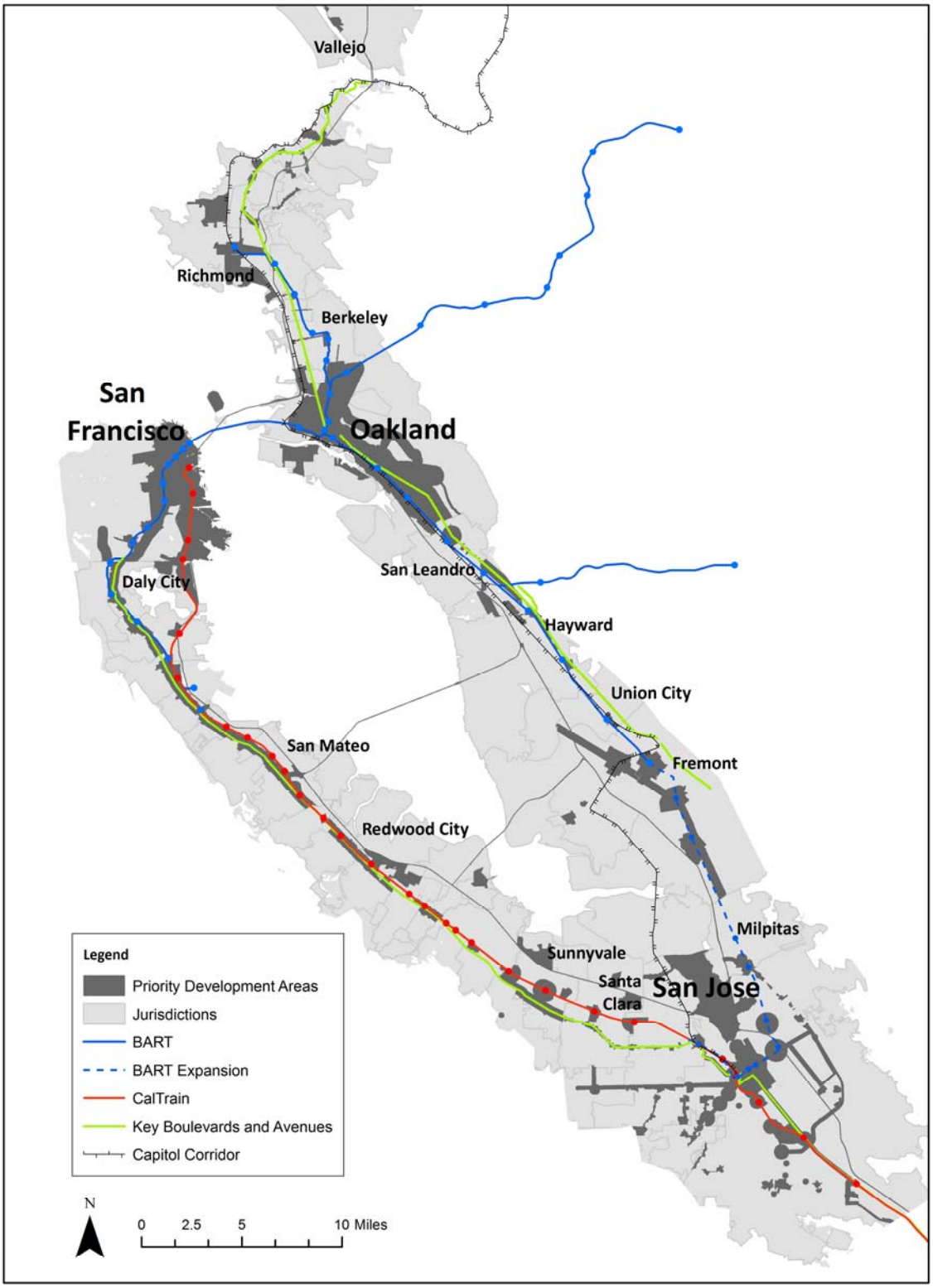


Figure 3. **Inner Bay Area Corridor PDAs**



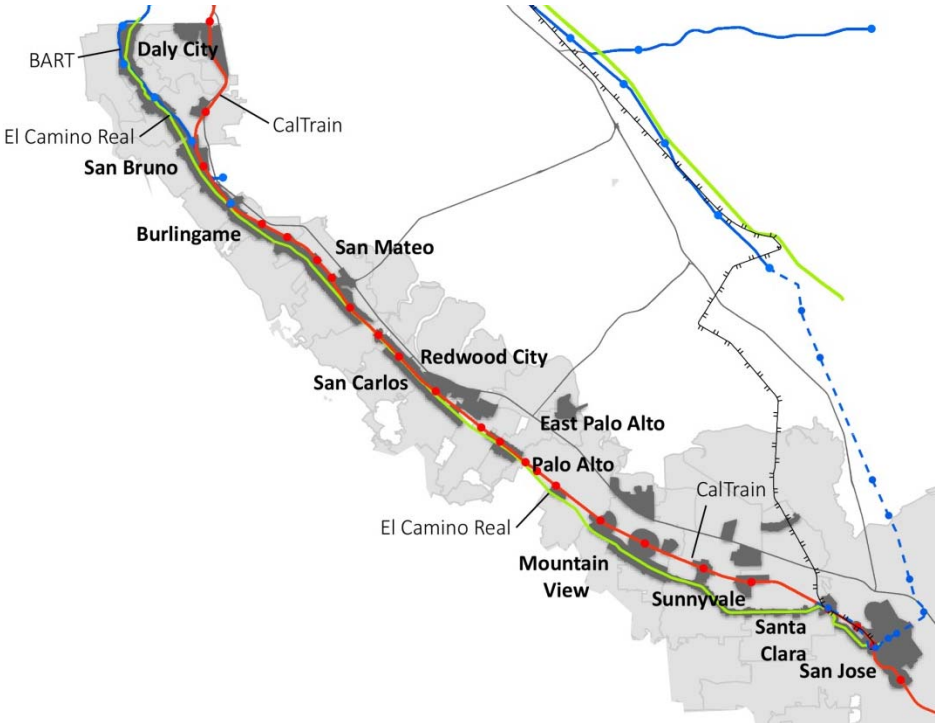
2. PDA Implementation: Inner Bay Area Corridors

Plan Bay Area projects that over the next 30 years most new homes and workplaces will be built in Priority Development Areas in the region's three largest cities and along the corridors connecting them, helping retain the region's open space and the character of our small towns. This geographic area, shown in Figure 3, is made up of a rich set of overlapping economic, social institutional, and infrastructure networks anchored by PDAs. Implementing the Plan will involve strengthening these networks—which range from Silicon Valley's innovation economy to the East Bay's ethnically diverse neighborhoods to Oakland's emerging arts scene–-while expanding housing and transportation options and increasing access to opportunity for all residents. PDAs provide the space for cultivating the economic assets of the Inner Bay Area which benefit the region as a whole and building housing close to jobs, educational and cultural opportunities. Investments at both the regional and local level are concentrated in these PDAs to support long-term sustainability and prosperity.

ABAG is working with Inner Bay Area jurisdictions to address challenges that cross city and county boundaries. Some are common to PDAs across the region while others are shared by Inner Bay Area jurisdictions and others are specific to different corridors and the regional centers. Staff worked with jurisdictions along major corridors to coordinate the process of identifying implementation obstacles and opportunities. Each corridor is made up of a set of places connected by commute patterns, strong economic and social networks, and frequent transit service (in some cases two parallel services such as BART and BRT). These corridors include:

- The **Grand Boulevard** Corridor extends from Daly City to downtown San José. For more than a decade, the corridor's jurisdictions have coordinated planning on issues ranging from infrastructure to transportation and

Figure 4. **Grand Boulevard Corridor PDAs**

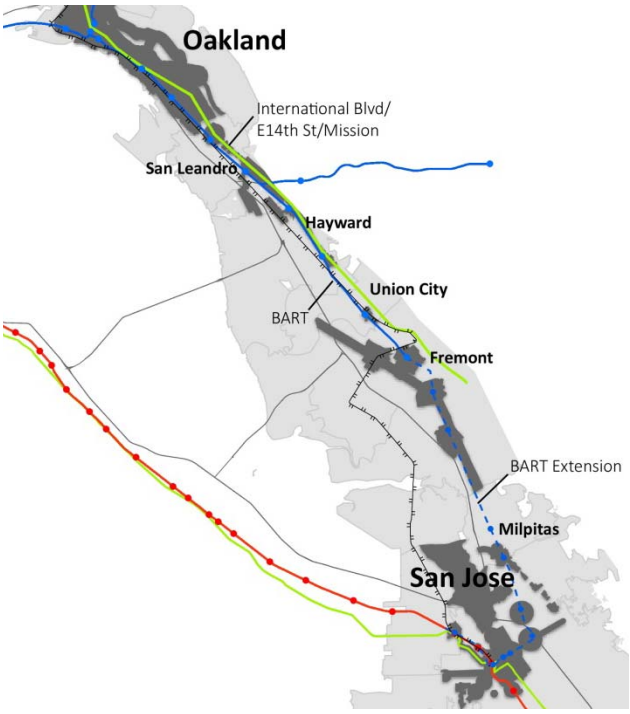


housing through the Grand Boulevard Initiative, which includes nearly all the corridor's PDAs and incorporates both El Camino Real and BART and CalTrain station areas. The corridor is connected to San Francisco via rail and express bus service. The PDAs in this corridor are projected to account for 17% of the region's housing growth over the next 30 years. The corridor includes many of Silicon Valley's leading tech companies and a series of historic downtowns focused around CalTrain stations.

Figure 5. **San Pablo Corridor PDAs**

- The **San Pablo Corridor:** PDAs extending from Downtown Oakland through West Contra Costa County to Vallejo. The corridor's PDAs are connected by BART and by San Pablo Avenue, which forms a continuous spine from Oakland to Hercules. In addition to Oakland's Regional Center, the corridor includes the residential and commercial district surrounding UC-Berkeley and multiple clusters of shops, restaurants and entertainment along San Pablo Avenue in Alameda and Contra Costa County. Housing growth in these PDAs is anticipated to account for 7% of the regional total. The corridor is closely connected to San Francisco, with 20% of all workers commuting to jobs in the city.

Figure 6. **Oakland-San José Corridor PDAs**



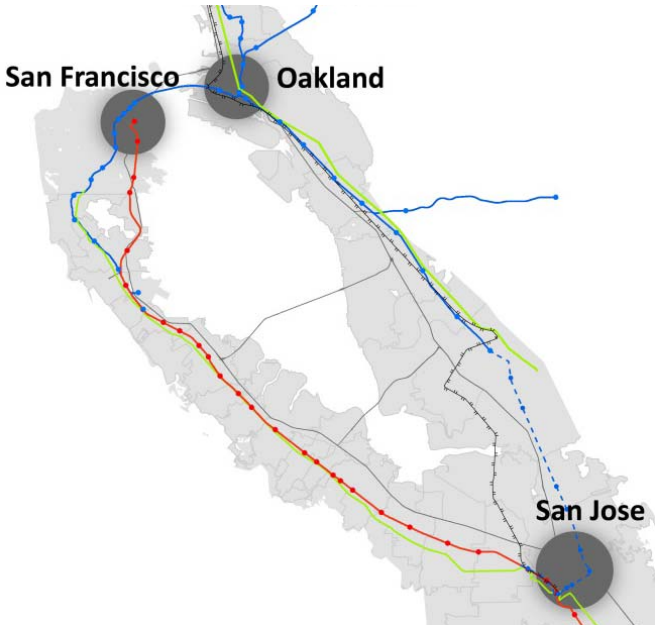
- The **Oakland-San José Corridor:** PDAs between downtown Oakland and San José. PDAs in this corridor are expected to accommodate nearly 38%[1] of the region's housing growth between 2010 and 2040. In addition to the business, government, and cultural centers of Downtown San José and

[1] The levels of regional growth indicated for both the Grand Boulevard and San José-Oakland corridors both include Downtown San José; the levels for San José-Oakland and San Pablo both include Downtown Oakland. Together, the three corridors are projected to account for nearly 2/3 of the region's housing growth.

Oakland, some of the nation's most ethnically diverse communities, 12 existing and 9 future BART stations, and a series of historic downtowns and rapidly growing PDAs. The northern portion of the corridor, between downtown Oakland and Union City linked by BART and International Boulevard/East 14th/Mission Street, is connected by commute patterns and strong social and economic networks that cross jurisdiction boundaries. The southern portion, between Fremont, Milpitas, and San José, forms its own commute shed with strong cultural and economic connections to northern Santa Clara County. The extension of BART from Fremont to San José presents an opportunity to strengthen connections between the PDAs along the corridor, creating new avenues for economic development and expanding access to opportunities.

- **Regional Centers**: The downtowns of San José, San Francisco and Oakland are centers of the knowledge-based economy with an increasing range of cultural amenities and high-density housing options. They are the focal points of the region's transportation network and for future transit investments such as the CalTrain electrification, the BART extension to San José, and High Speed Rail. Strengthening connections among Regional Centers will help each play a complementary role in a stronger Bay Area economy.

Figure 7. **Regional Centers**



Dialogues and Site Visits

Over the past three months, ABAG partnered with MTC and the CMAS to facilitate dialogues and PDA site visits with planning staff and stakeholders from 32 Inner Bay Area jurisdictions. These were organized by corridor to stimulate discussion about common challenges and potential areas of inter-jurisdictional and regional collaboration. The dialogues also involved transit agencies, local public works and transportation staff, and staff from health, housing, and water agencies. The meetings focused on identifying and clearing obstacles to achieving the levels of growth projected in local plans and Plan Bay Area, and to creating complete, livable communities. The major issues and opportunities identified during the dialogues are highlighted in the Key Findings section below.

3. Key Findings

During the past several years, the Bay Area's recovery from the recession has accelerated. While the pace of recovery varies Inner Bay Area jurisdictions, many are adding jobs and new housing units. The context for planning in PDAs has been reshaped by the dissolution of redevelopment and the contraction of public funding. Cities have responded with innovative approaches to stimulating investment and capitalizing on local assets, but challenges remain across Inner Bay Area jurisdictions—even those with strong real estate markets. Trends and common challenges to implementing Plan Bay Area and local PDA plans that emerged from the dialogues and site visits are highlighted below.

Local PDA Plans Acting as Catalysts for Development

Adopted plans for Inner Bay Area PDAs are providing community-driven frameworks for accommodating the recent spike in demand for transit-accessible housing and commercial space. This trend is particularly evident in planned PDAs around CalTrain Stations and existing and future BART stations, as well as in Downtown San Francisco and Downtown and North San José. In Milpitas, for example, nearly 4,000 of the 7,000 housing units included in the City's 2008 plan for its new BART station have been either permitted or constructed. More than 50,000 units are under construction or in the permitting process in San Francisco's PDAs—more than half of the new units projected for the city in Plan Bay Area for the next 30 years. Together, San Francisco and Santa Clara counties, which made up one-third of the region's housing stock in 2010, accounted for half of the region's housing growth in 2010 and 2011— nearly all of it taking place in PDAs. Attached housing accounted for 72% of this growth (despite making up less than 30% of the combined housing stock in the two counties in 2010).[2] This is a very limited time frame in which to assess growth, but significant when combined with the development pipeline.

While housing demand is lower in the East Bay, pockets of growth have emerged in communities with adopted PDA plans, such as the El Cerrito and Hayward BART station areas, and along San Pablo Avenue in Emeryville. Berkeley's 2012 Downtown Area Plan spurred the development of 500 units and a pipeline of an additional 1,000 units. Downtown Oakland also expects a spike in high-density residential development in its Downtown. In PDAs experiencing growth, the potential benefits of adopting a plan in anticipation of future growth are coming to fruition as developers invest with confidence and residents see the public realm improvements identified in the plan.

Capacity to Address Affordability Gap Decreases as Housing Costs Increase

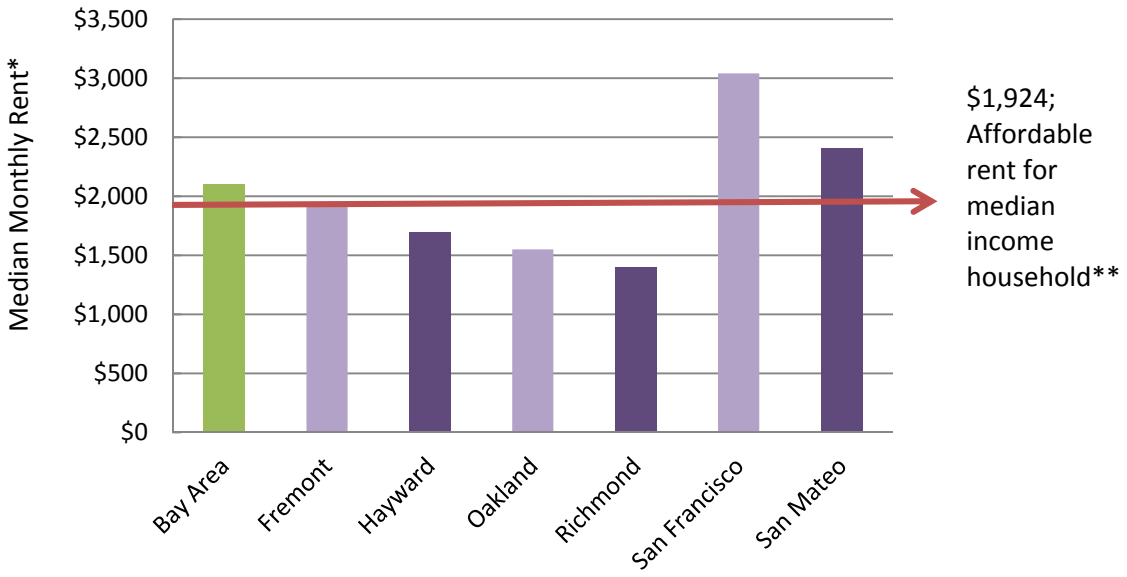
With the dissolution of redevelopment and questions regarding the legality of inclusionary zoning, production of affordable housing is declining in most Bay Area jurisdictions. Affordable

[2] Calculations based upon data from California Department of Finance, Table E-5, 2013.

housing projects have been cancelled or stalled due to the loss of expected funding and obstacles to acquiring former redevelopment land included in permitted projects. Developers have removed planned affordable housing units from market-rate projects due to the lack of availability of subsidies and legal challenges to inclusionary zoning. There are several notable exceptions to this trend, such as Berkeley and Fremont, which have used density bonuses to stimulate affordable housing production. In addition, opposition to new housing—in particular affordable housing—is growing in many of the jurisdictions with the greatest need and highest levels of access to opportunities.

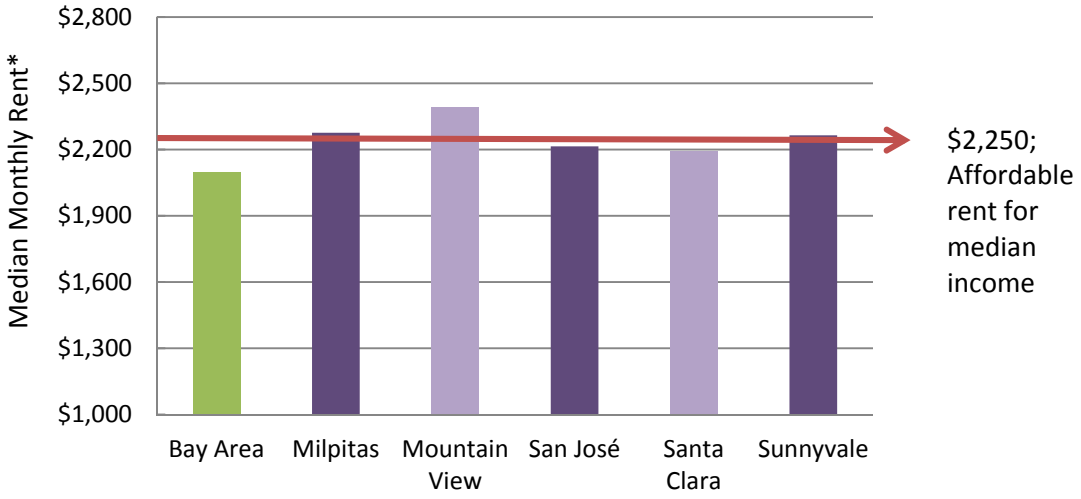
This reduction in capacity to address affordability comes at a time when rents remain affordable to median income households in pockets of the Inner Bay Area, but are increasingly unaffordable in locations with the highest levels of job access and private investment, as shown in figures 8 and 9.

Figure 8. **Housing Affordability in 2013: San Francisco MSA Cities with Highest Growth in Plan Bay Area**



*Source: Priceonomics rental data Sept 2013 ; http://priceonomics.com/the-rise-of-bay-area-rent-prices/.
**Affordable rent derived from calculating the income-based HUD housing affordability threshold of no more than 30% of household gross income spent on housing payments.

Figure 9. **Housing Affordability in 2013: San José MSA Cities with Highest Growth in Plan Bay Area**

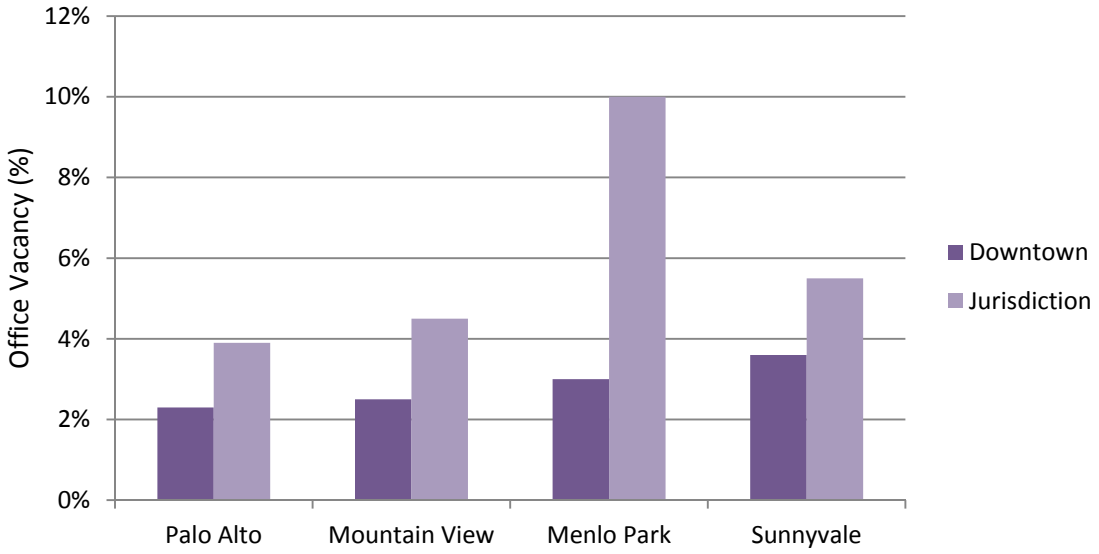


*Source: Priceonomics rental data Sept 2013 ; http://priceonomics.com/the-rise-of-bay-area-rent-prices/.
**Affordable rent derived from calculating the income-based HUD housing affordability threshold of no more than 30% of household gross income spent on housing payments. Based on the SJ MSA's $90,000 annual median income; source: ACS 2012 5-yr estimates, Median Household Income, B19013.

Employers and Employees Seek Workplaces in PDAs

Companies in knowledge-based sectors such as tech and finance, insurance and real estate are increasingly attracted to locations in PDAs close to regional transit, driven in part by the preference of young workers for access to transit and culture, food and entertainment. This trend is taking place within the broader context of the regional economy—with PDAs in San Francisco and Silicon Valley experiencing the most rapid growth in rents and lowest vacancies—but is apparent throughout the broader Inner Bay Area geography as well. A recent comparison by the real estate firm Cassidy Turley of office vacancies in four Silicon Valley downtowns with CalTrain access in Silicon Valley to areas in the same cities outside of the downtowns (occupied primarily by auto-oriented office parks) illustrates this trend. Office vacancies in the Downtown Menlo Park PDA, for example, were 3.0% in the 3rd Quarter of 2013, compared 10.9% citywide. In Mountain View, these figures were 2.5% and 4.5% respectively (figure 10). Vacancies in downtown San José—while still well above the rest of Silicon Valley are declining and are below the nearby North San José office market. Vacancies in the downtowns of the other Regional Centers, San Francisco and Oakland, continue to fall as tech companies and a host of supportive services seek new space. Tech start-ups and smaller tech firms are seeking smaller office spaces as well, creating an opportunity to fill the more compact office buildings and ground floors of the historic downtown PDAs and new mixed-use buildings.

Figure 10.
Silicon Valley: Downtown PDAs Have Lowest Office Vacancy Rates



Source: Cassidy-Turley

Jurisdictions Struggle to Make PDA Infrastructure Improvements
Limited capacity to improve public infrastructure is an obstacle to attracting new development to PDAs, and to ensuring that development fulfills the vision articulated in local plans. This obstacle has become particularly acute with the loss of the redevelopment funding that historically paid for infrastructure improvements. In PDAs located in weak and moderate real estate market areas, infrastructure funding has often been the "tipping point" to attracting private investment and implementing a plan.

Infrastructure challenges vary across PDAs, reflecting the magnitude of change envisioned, condition and capacity of utilities, and willingness of developers to contribute to improvements. Some suburban jurisdictions planning to transform PDAs into walkable urban environments struggle to fund the new public rights of way (including roads, sidewalks, street trees, stormwater, and lighting) required to achieve this transformation. While some cities have a projected water supply surplus, others have reached their allocation and need new sources to support development. In PDAs of different sizes, social infrastructure can also present an obstacle, particularly schools and parks. Jurisdictions that are successfully adding planned infrastructure in the absence of redevelopment funding are relying on developer contributions in competitive markets—which can be politically difficult to put in place but can provide confidence to both developers and residents that new development will result in better public spaces and adequate capacity for utilities.

Opportunity to Improve Plan Implementation Through Placemaking
The quality of new public and private spaces varies substantially across PDAs. Public catalyst projects that draw upon the existing qualities of a place have proven successful in creating

community focal points and attracting complementary private investment. In Downtown Redwood City, a new public square around its historic courthouse set the stage for private development of an adjacent pedestrian paseo and mixed-use retail and entertainment complex to help implement the downtown plan. In Hayward, where market conditions are less favorable, a new series of pedestrian paths and public spaces between BART, City Hall, and the historic downtown helped stimulate investment in new housing and commercial space. Detailed design guidelines have also proven successful by addressing basic but critical issues such as ensuring that ground floor ceiling heights and ventilation systems in new mixed-use buildings can accommodate restaurants.

Some jurisdictions struggle to connect new projects to the broader vision of an adopted PDA plan. This can result from pressure to relax requirements for developers to contribute to streetscape and other improvements, a lack of dedicated funding to build parks and public spaces critical to creating an attractive place (often resulting from a lack of redevelopment funding), a lack of attention to the quality of public space in an adopted plan, or limited public resources to address placemaking in urban neighborhoods. Poorly received projects completed shortly after a plan's adoption can hinder long-term implementation. In many PDAs, a tension exists between permitting proposed development that falls short of the standards in an adopted plan or waiting for development that meets the standards. The number of developers capable of successfully executing mixed-use projects that contribute to the public realm may also limit the ability to produce projects consistent with plans.

Support Needed for Entitlement Efficiency

The length and cost of the entitlement process is widely viewed as an impediment to development consistent with local plans and to Plan Bay Area. The speed and cost of entitling development projects in Inner Bay Area PDAs depends upon a variety of factors, including level of public opposition, rigor of previous environmental analysis of the project area, and structure of the project review process. Jurisdictions take a range of approaches to the entitlement process for projects in PDAs. Nearly all adopted PDA plans include Environmental Impact Reports (EIRs) that assess the impact of all of the future growth planned for the PDA, limiting the amount of review required for individual projects. Even with an EIR in place, however, public opposition and lawsuits can make it difficult to develop projects that support adopted plans.

A handful of jurisdictions have drawn upon recently adopted state legislation, including Senate Bills 226, 375, and 743, to simplify entitlement of projects consistent with local plans while most jurisdictions await clarification from the state and regional agencies before integrating the provisions of these bills into the development review process. The City of Berkeley has dramatically reduced the review period for projects in its Downtown PDA by identifying steps required to comply with the Downtown Area Plan and by drawing upon Senate Bill 226 to expedite the review of projects that meet all of the Plan's requirements (SB 226 shortens the review period of projects consistent with local plans and regional Sustainable Communities Strategies (e.g. Plan Bay Area)). Because the Downtown Area Plan resulted from an extensive public process and was adopted by City Council, specific project requirements and review are transparent—reducing the need for ad hoc negotiations for individual developments.

4. Top Five PDA Implementation Opportunities

Based upon the key findings highlighted above and additional input from local jurisdictions, five key opportunities emerged for ABAG and the regional agencies to support local PDA implementation.

One: Financial and Regulatory Tools to Make Development Feasible

Implementing Plan Bay Area and local PDA plans will be exceptionally difficult without additional tools and incentives that address obstacles such as funding community infrastructure and mixed-income housing. This is particularly critical for PDAs in weak to moderate housing markets that are expected to take on substantial new growth. Many of the state and federal grants, tax credits, and local policy tools that made infill development feasible have been recently eliminated or reduced.

In addition to supporting the regional Transit-Oriented Affordable Housing (TOAH) fund, staff can promote innovative partnerships and work with legislators to identify sustainable funding sources for community infrastructure and affordable housing. Staff is currently developing policy options addressing these issues for discussion with the Executive Board in 2014.

Two: Robust Provisions for Entitlement Efficiency

Many jurisdictions requested clarification about recent state legislation intended to simplify the environmental review process for infill projects, including SB226, 375 and 743. ABAG and the regional agencies can play an important role in providing guidance about the applicability of the legislation to different locations, and the implications of utilizing the legislation for the local development review process. ABAG can also work with jurisdictions to track the benefits and challenges created by current entitlement efficiency legislation and recommend adjustments to this legislation or help inform new legislation.

Three: Corridor PDA Coordination

The dialogues revealed opportunities for regional agencies to support collaboration between the jurisdictions in each Inner Bay Area Corridor to achieve shared objectives. The opportunities vary by corridor, reflecting levels of existing coordination between jurisdictions:

- **Grand Boulevard:** Participate in the established Grand Boulevard Initiative task force and working group; identify opportunities for the region to support this effort.
- **San Pablo:** Conduct additional analysis; Convene workshop to define shared challenges and develop a collaboration process, focusing on BART station areas and San Pablo Avenue.
- **Oakland-San José:**
    - Corridor: Conduct additional analysis; Communicate with jurisdictions about potential collaboration opportunities; Potential future workshop.
    - Oakland-Union City Portion: Conduct additional analysis; Convene workshop to define shared challenges and develop a collaboration process, focusing on BART station areas and International Blvd/14th Street/Mission PDAs.

  - Fremont-San José Portion: Conduct additional analysis; convene initial discussion about connections between corridor PDAs and new opportunities created by completion of BART extension.
- **Regional Centers (Oakland, San Francisco, San José):** Coordinate economic development strategies, job market issues, major infrastructure projects, and legislative initiatives.

Staff will also develop and disseminate strategies addressing detailed planning issues raised during the dialogues, such as creating successful ground floor retail, assembling parcels and placemaking. An important part of this task will be sharing replicable best practices among Inner Bay Area jurisdictions. This process will be facilitated through the updated ABAG website—which will feature a PDA showcase that also serves as a platform for marketing the PDAs to developers and the general public. Through the HUD Regional Prosperity grant, regional agencies are also supporting pilot projects to stimulate local economic development that can inform future PDA-focused efforts.

Four: Strategies to Address Displacement and Retain Neighborhood Assets
The displacement of low and medium income residents, and the loss of the unique social and spatial assets of neighborhoods, is happening at an increasing pace in many Inner Bay Area communities. As this issue takes on greater urgency, ABAG can assist the jurisdictions facing displacement challenges by providing resources and strategies that work across city boundaries. ABAG and MTC are working with UC-Berkeley to conduct detailed analyses of displacement trends and potential strategies. This will be complemented by the Regional Prosperity grant, which looks at economic development and housing within the context of equity and will explore approaches to addressing displacement.

Five: Continued Coordination with Regional and State Agencies
Local staff consistently identified an opportunity to improve coordination with regional agencies and special districts, as well as state agencies that influence the feasibility of projects in PDAs. ABAG is well positioned to work on behalf of jurisdictions to coordinate with regional and state agencies on issues such as water capacity, air quality, sea level rise, healthy infill development and the disposition of former redevelopment agency land.

To support Plan Bay Area implementation, ABAG is meeting with the State Departments of Finance, Housing and Community Development, and Finance to discuss the obstacles identified during the Plan process and through the PDA dialogues and site visits. ABAG will also work with jurisdictions and the regional agencies to advocate at the federal level for resources to implement the Plan—which is an exemplar of the policies promoted by HUD's Office of Sustainable Housing and Communities. The top issues identified in this memo, with adjustments as needed based upon Executive Board feedback, provides a framework for discussing regional needs.

6. Next Steps

During 2014, staff will return to the Executive Board with progress reports on Plan Bay Area implementation, with focused updates on the PDAs and Corridors. Updates will include:

- Inner Bay Area PDA and Corridor coordination: Progress toward establishing coordination between corridor jurisdictions and identifying shared opportunities.
- PDA Planning Grants: Information about recipients of the planning grants and the way in which the grants will advance the Plan and local visions.
- Housing production and job growth in PDAs and Corridors: As new data becomes available, staff will analyze the level of recent development, providing comparisons across PDAs and Corridors.
- Overall PDA implementation: Implementation efforts, including key obstacles, across the region's PDAs, reflecting additional consultation with local jurisdictions.