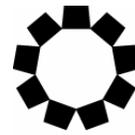


ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

March 6, 2014

To: ABAB Administrative Committee
From: Cynthia Kroll, Chief Economist
Subject: ABAG's emerging role in framing regional economic development efforts

Our region is currently a national growth leader, however, the Bay Area's experience in two recessions in the 2000s decade and the unevenness of the recovery since 2010 has highlighted the links between economy and urbanization patterns, social equity concerns, and environmental consequences of growth. We began to work on some of these issues in Plan Bay Area. ABAG is further addressing these concerns in collaboration with MTC and JPC. Among regional agencies, ABAG has had the central responsibility and expertise for economic reports and forecast. ABAG is equipped to address the increasing challenges of this work in light of the current demands for economic strategies at the local and regional level.

At the Administrative Committee retreat, I will present the different ways that ABAG may be involved in economic development at a regional level and current projects that address related concerns and opportunities.

In general, we expect ABAG work in this area going forward to include:

- Follow-up to the work on housing affordability and economic prosperity, providing a structure for evaluating current pilot projects and extending successful projects to other parts of the region.
- Developing data sources and indicators to track regional prosperity and trends and provide resources for economic development planning efforts at the regional, subregional and local levels.
- A regionwide perspective on the relationship between land use policy, freight movement, and employment and output growth.
- Background analysis to support job development efforts and cooperative ventures of workforce agencies and employers throughout the region.
- Developing an Agency role as a framing, coordination, and communications center for the multiple economic development efforts in the region, including continued close cooperation with the business and labor communities

Questions

The following questions are proposed to start the discussion:

- What are the key economic development and strategies where ABAG can contribute the most?
- How can ABAG support local economic development efforts?

- What are the most strategic collaborations to support regional economic health?
-

Four attached documents are included as general background to inform the discussion at the retreat:

- Attachment 1, *The Economic Development Regional Policy Background Paper* (July 2013).
- Attachment 2, A memo to the JPC describing recent economic development work concerning the regional agencies and a framework for coordinating those and future efforts. (January 2014)
- Attachment 3, A presentation to the Regional Planning Committee on regional economic trends, opportunities and concerns (February 2014)
- Attachment 4, A memo for the Executive Board January 2014 meeting describing the first phase of the Bay Area Corridors PDA Implementation effort.

Regional Policy Background Papers – July 2013
Economic Development

1. Introduction

2. Regional Employment Assessment

3. Regional Economic Issues and Challenges

4. Economic Development Priorities and Strategies

This paper is part of a series of ongoing policy background papers to inform the initial Plan Bay Area process. The papers are working documents providing information, analysis and ideas for discussion and should be seen as material for consideration rather than a reflection of regional policy.

1. Introduction

The San Francisco Bay Area is nearing adoption of Plan Bay Area, an integrated land use and transportation plan required per California law, Senate Bill 375. With Plan Bay Area, the Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC) are for the first time closely linking long-term land use planning, transportation investments, and housing production to achieve a set of common sustainability goals. In addition to reducing Greenhouse Gas Emissions and providing housing for the region's projected population, a central goal of the Plan is to create jobs to maintain and expand a prosperous and equitable regional economy.

The Bay Area has historically experienced robust economic growth and opportunity linked to its leadership in high technology and innovation, connections to international networks, world-class higher education and research institutions, and a highly skilled labor force. The region is experiencing a stronger economic recovery than the nation, capturing an increasing share of total growth and capitalizing on the Bay Area's unique knowledge economy. Many neighborhoods and households, however, have not shared in the recovery. The recession disrupted livelihoods and communities, altering the landscape of challenges and opportunity in our region.

While employment growth in the region is contingent on a successful future national and global economy, the Bay Area can expect healthy but slower employment growth than in the past several decades. Despite our competitive advantages, a clear strategy for expanding economic opportunities across strategic sectors and for all portions of the population is necessary in order to ensure a healthy economy and prosperous future for the region.

This policy background report expands upon the employment forecast included in Plan Bay Area to:

- Provide an assessment of the trends shaping the type and location of future job growth;
- Identify challenges faced by the Bay Area economy; and
- Propose place-based strategies for regional economic vitality.

The paper focuses on the spatial dimensions of prosperity, reflecting ABAG's role in regional economic development. The place-based strategies introduced in the paper will work in concert with the investments and policies identified by related regional economic development efforts, including the Bay Area Prosperity Plan¹ and strategies being developed by business groups.

¹ The Bay Area Regional Prosperity Plan is a three-year regional initiative made possible by a \$5 million grant from the U.S. Department of Housing and Urban Development (HUD). The Prosperity Plan includes two key, interconnected areas of work: an Economic Prosperity Strategy that will define a regional approach for expanding economic opportunities for low- and moderate-income workers in the region; and the Housing the Workforce Initiative that will provide tools and resources to improve housing affordability near transit for a range of income groups while stabilizing low income neighborhoods as new investments raise property values. Link: <http://onebayarea.org/regional-initiatives/Bay-Area-Prosperity-Plan.html#.UQATLyf7LTc>

2. Long Range Regional Employment Assessment

Employment Growth Expected to Outpace the Nation

By 2040, the Bay Area is projected to have approximately 4.5 million jobs and 3.4 million housing units, or an additional 1.1 million jobs and 660,000 housing units from 2010. The forecast is built upon the relative strength of different sectors of the regional economy and the spatial pattern of growth in these sectors, based on several critical themes. It is important to note that the overall level of employment growth is constrained by projected housing production. While the projected level of housing production is ambitious, it still results in slightly lower employment growth than the region could potentially capture based upon its competitive advantage in high-growth industries.²

The region is forecast to grow slightly faster than the nation. Over half of the 1.1 million job growth is expected to occur between 2010 and 2020, which includes the recovery of close to 300,000 jobs lost since 2007. Many of these jobs will be filled by currently unemployed or underemployed individuals. From 2020 to 2040, the rate of job growth is forecast to slow down as retiring Baby Boomers exit the labor force.³

Table 1: Regional Totals, 2010 and 2040

	2010	2040	Growth
Population	7,151,000	9,299,000	2,148,000
Households	2,608,000	3,308,000	700,000
Housing Units	2,786,000	3,446,000	660,000
Jobs	3,385,000	4,505,000	1,120,000

Innovation and diversity lead economic growth

The Bay Area exhibits strength in certain key economic sectors, particularly those directly involved in knowledge production, which provide the region with a competitive advantage over other regions. Other large employment sectors, such as Health and Education and Leisure and Hospitality, also have exhibited steady growth, while some sectors, such as Manufacturing, have shrunk in employment but continue to play an important role in income, output, and linkages to growing employment sectors.

By 2040, the leading sectors of the regional economy are expected to remain in knowledge production. This includes Professional Services, Information, Finance, and portions of the Health and Education sectors. Many companies in these sectors will continue to specialize on the design and development of new products and information, outsourcing routine manufacturing and a portion of general professional services. This knowledge production is supported by a highly educated labor pool and provides many high wage jobs. These leading sectors have represented and will continue to represent a high share of the total regional growth, accounting for over one third of total new jobs. Although the knowledge-based sectors define the overall pace of growth for the region, their success is supported by and advanced by a very diverse regional economy.

² CCSCE/Stephen Levy. *Bay Area Job Growth to 2040: Projections and Analysis*. February 2012. A more detailed description of the forecast and distribution methodology is available in the Forecast of Jobs, Population & Housing supplemental report to Plan Bay Area.

³ Ibid.

The Health and Education and Leisure and Hospitality sectors are expected to continue growing steadily, spurred by aging baby boomers and the echo boomers, or “millennials.” Construction is expected to experience significant employment gains, particularly through the recovery period.

Manufacturing and Finance are not expected to contribute many jobs, but will remain stable sectors in the regional economy. The decline of manufacturing and finance employment has resulted in a loss of some middle-income jobs for the region. This is compounded by the expected continuation of polarized incomes between the highly specialized knowledge-based jobs and service jobs. Despite limited job growth, manufacturing is a key venue for the innovation that drives many of the other aspects of the knowledge sector. Finance is also a key to fueling innovation by providing the capital necessary to support new and growing ventures.

The agricultural sector—where food production is combined with high value tourism, organic markets, and farmers markets—has incorporated a wide range of services and exchange networks with a resulting higher productivity for many businesses, but the number of jobs in this sector is expected to remain the same or decline. Agriculture supports a much wider range of growing activities, such as leisure and hospitality, while also enhancing the region’s quality of life and increasing long-term food security.

Table 2: Total Employment & Growth by Sector, 2010 and 2040

	Total		Growth
	2010	2040	2010-2040
Professional	596,700	973,600	376,900
Health and Education	447,700	698,600	250,900
Leisure and Hospitality	472,900	660,600	187,600
Government	499,000	565,400	66,400
Information	121,100	157,300	36,300
Transportation and Utilities	98,700	127,400	28,600
Financial	186,100	233,800	47,700
Construction	142,300	225,300	82,900
Retail	335,900	384,400	48,500
Agriculture and Natural Resources	24,600	22,700	-1,900
Manufacturing and Wholesale	460,200	456,100	-4,100
All Jobs	3,385,300	4,505,200	1,119,900

Source: Stephen Levy, ABAG

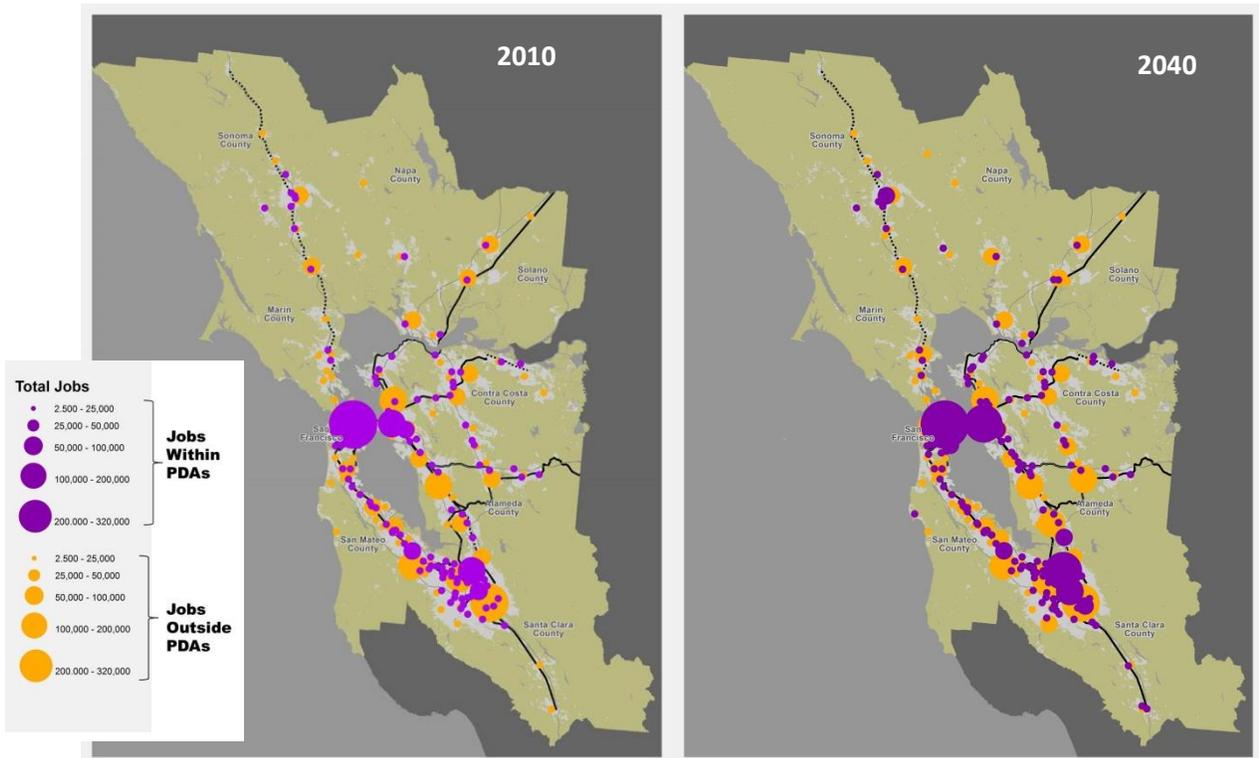
Job Growth Concentrates in Priority Development Areas

The employment growth forecast and industry sector distribution takes into account the Priority Development Area (PDA) framework for growth established by local jurisdictions and the regional agencies. The types of jobs forecast in Plan Bay Area correspond to and complement planned areas of employment growth in the PDAs, which are expected to capture nearly two-thirds of overall employment growth.

The spatial distribution of employment growth reflects three major trends, taking into account existing sector characteristics, spatial concentration trends, and recent location trends:

- Clustering of knowledge based sectors based on current spatial concentration, sector specialization, and past growth in particular areas of the region, as well as transit access and level of service.
- Growth of local service sector employment around new housing. Plan Bay Area anticipates that the ten percent job growth in the Retail, Health & Education, and Construction sectors follows the proposed pattern of housing growth, which is expected to become more concentrated within the PDAs.
- Limited job growth in other sectors—Manufacturing and Wholesale, Agriculture, and Government—that follows existing patterns of employment in these sectors, both in terms of location and spatial concentration.

Figure 1: Job Location, 2010 & 2040



3. Regional Economic Issues and Challenges

The Bay Area faces numerous threats to long-term prosperity. Many of these can be addressed in near-term strategies and in the medium- to long-term coordination of regional economic development between the regional agencies, the business community, and other stakeholders. This includes both spatially-oriented issues related to the implementation of the Plan Bay Area job growth pattern, and issues linked to, but not directly addressed, in the Plan and in this paper.

Housing production and affordability

To achieve the level of economic growth projected over the next 30 years, the region must produce an adequate supply of workforce housing. The ABAG Housing Policy Background Report projects that without further policy intervention, the region could produce **close to 280,000** fewer very low, low and moderate income units than necessary to provide affordable housing for our projected future workforce. This could significantly constrain the number of new jobs in the Bay Area over this period, while also reducing the spending power of low and moderate income households. A recent report by the Bay Area Council Economic Institute⁴ found that insufficient affordable housing is a competitive disadvantage to attracting businesses and growing jobs in the Bay Area—a finding echoed in this report and numerous other analyses.

Education and workforce development

The region is expected to produce a high percentage of both knowledge-based jobs and middle-skill jobs in industries such as health care with career ladder opportunities. Access to a highly trained workforce is among the region's greatest economic strengths, but the Bay Area lacks qualified workers for the full range of jobs in these industries, especially middle skill occupations. Some of this is related to a shortage of affordable housing, but our K-12, university, and workforce training systems also play an important role. As federal and state efforts focus on improving K-12 performance, the Bay Area Prosperity Plan is identifying industries of opportunity to help coordinate investment and technical training. Implementation will involve regional partnerships among jurisdictions, Workforce Investment Boards, economic development organizations, unions, major employers, community colleges, and state and federal agencies.

Low wage workers and low-income households

The national and regional long-term trend toward economic inequality is projected to continue into the future. Nearly one-third of Bay Area workers are projected to be employed in jobs with current annual incomes of less than \$25,000.⁵ This has significant implications for housing, social services, community cohesion, and the local economies of distressed downtowns and neighborhoods—which are increasingly located at the edges of the region and supported by a consumer base with limited spending power. As strategies are developed to improve access to middle wage jobs, meeting the basic needs of a growing low-income population and addressing community disinvestment is critical to the health of the regional economy.

⁴ Bay Area Council Economic Institute, 2012, *The Bay Area: A Regional Economic Assessment*
Link: <http://www.bayareaeconomy.org/media/files/pdf/BAEconAssessment.pdf>

⁵ In 2010 dollars.

Spatial needs of emerging economic sectors

The spatial requirements of knowledge industry businesses and artisanal retail and industrial businesses are often different than the businesses for which current zoning codes and design guidelines were written. The more open, flexible spaces sought by start-ups and tech companies, the low intensity manufacturing activities of small local food producers, and farms looking to expand value-added activities are among the trends that can be addressed by adjustments to local standards. Strategies to accommodate these businesses in centers, corridors, and on industrial and farm land are critical to the long-term success of PDAs and the region's economy. Furthermore, the newest expanding businesses are not always the most stable in terms of either employment or as tenants. Indeed, the commercial leasing business is rethinking leasing strategies to address the needs of firms whose space needs grow and shrink dramatically in the near term. Adjustment to a different market base may require new institutional frameworks for financing and leasing this space.

Transit accessibility of job locations

Focusing jobs around transit makes the Bay Area a more attractive place to live while also increasing access for low-income households and putting the region on track to implementing our greenhouse gas reduction target. Sustaining growth in PDAs over the next three decades will require adequate transit capacity. The region has made significant investments in transit facilities in Regional Centers over the next 30 years, but ensuring a vibrant competitive economy will require monitoring over time to maintain this capacity. At the same time, as new jobs cluster around transit, many existing Bay Area workplaces will remain beyond walking distance of transit. In these locations, creative approaches and place-based solutions such as those discussed in the next section are critical to leveraging our transit infrastructure and enhancing access for low-income workers.

Involvement of leading knowledge sector businesses in regional and local issues

Many of the region's leading companies are equally or more connected to discussions regarding national and international issues than to discussions about regional and local issues. While this reflects their prominence in the global economy, stronger engagement on issues such as housing, labor force training, and placemaking can benefit both the region and our leading companies. To reinforce this increased communication, regional agencies and local jurisdictions can expand outreach to knowledge sector businesses to ensure that their perspective is included in planning processes. A first step toward this is the current involvement of a regional business coalition in the Bay Area Prosperity Plan as well as in efforts by the Joint Policy Committee to explore a comprehensive approach to regional economic development.

A balance among sectors

As new sectors expand (most recently multimedia and social networking, for example), other employers in traditional stable or declining industries or in support services to businesses and residents may find their operations further stressed by competition for space and rising wage levels. This may have consequences not only for the individual proprietors and employees but also for the communities in which they have been housed. As Plan Bay Area is implemented, transition support may be needed for businesses, employees and places that are not part of the newest wave of growth, including programs to find affordable space for businesses feeling the impact of tight leasing markets and rising rents.

4. Regional Economic Development Priorities and Strategies

The economic development strategies introduced for discussion in this paper focus on the places that make up the region's economic network—the centers, corridors and neighborhoods in which jobs are located, new technologies are cultivated, and people are educated and live. This approach reflects the emphasis on land use and transportation in Plan Bay Area and the role of ABAG and the regional agencies in coordinating land use planning to support a sustainable growth pattern. The priorities and strategies draw upon the feedback received during the Plan Bay Area process and recent efforts from across the region—including city and county economic development plans, analyses of regional competitiveness, and strategies developed by non-profit and business organizations.

Moving forward, successful regional economic development planning will require close coordination between the efforts of regional agencies and local jurisdictions to implement Plan Bay Area and parallel efforts in the region led by the business community and others. Through Plan Bay Area and the HUD-funded Bay Area Prosperity Plan, the region has brought together a broad spectrum of private, public, and non-profit stakeholders, setting the stage for integration of region-wide actions focusing on housing, infrastructure, workforce, business engagement and resiliency issues with the place-based priorities and strategies proposed in this section.

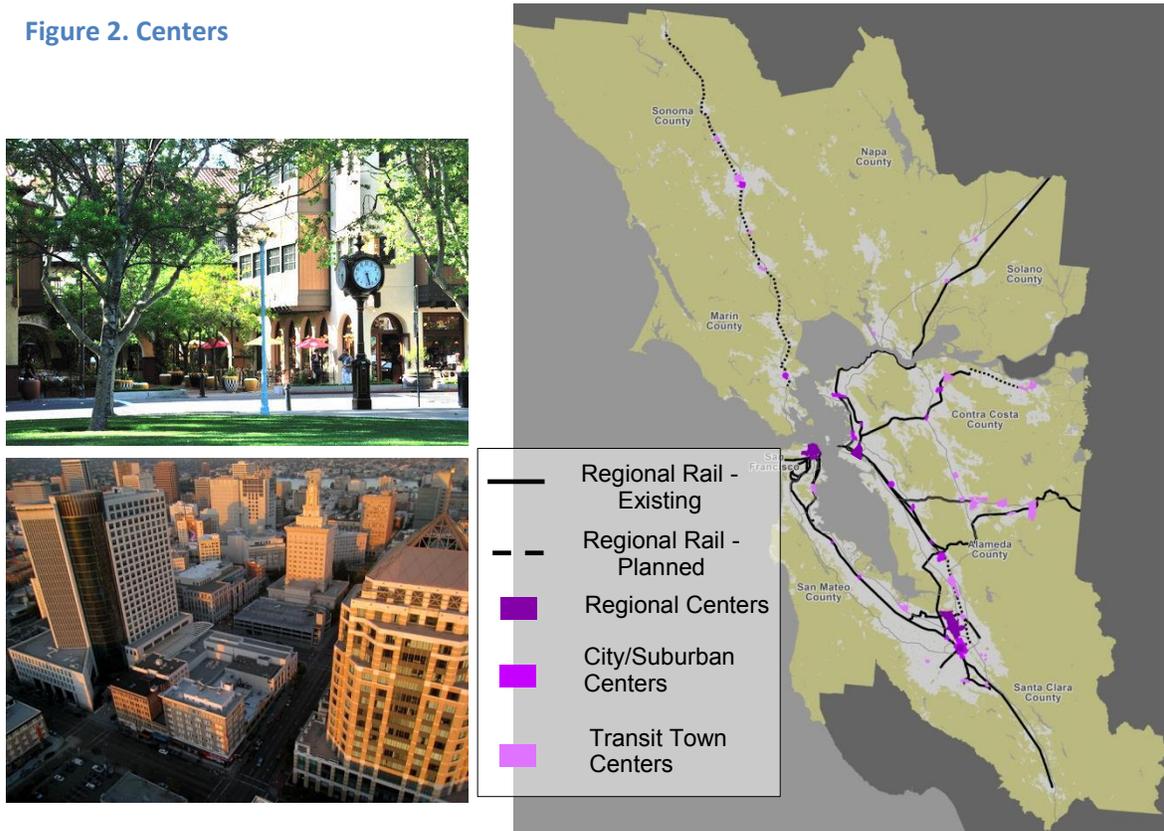
Place-Based Priorities

The Bay Area increasingly operates as an interconnected economy linked by cultural, financial and infrastructure networks. Each part of the network has a unique role in the regional economy, ranging from centers in which office and retail jobs cluster around transit hubs to agricultural areas protected from urban development. The overwhelming majority of the region's job growth results from new businesses created inside the region and the expansion of these companies within the Bay Area. The vitality of our economic ecosystem depends upon the quality and integration of the places in which learning, information exchange, research and product development, retail sales, and other parts of daily life take place.

At a general level, the areas of the region in which economic activity take place can be characterized by several broad categories. These include Regional Centers; City, Suburban and Transit Town Centers; Corridors; Neighborhoods; Office Parks; Industrial Land; and Farmland. The groups of places within each category contain incredible diversity, reflecting internal and external factors. Within this framework, centers are critical to sustaining the region's strength in knowledge-based industries, and on increasing the flow of information critical to innovation. Increased employment density has been linked to productivity and innovation in places with concentrations of skilled employees such as the Bay Area's centers.⁶ Regional Centers and City, Suburban, and Transit Town Centers are related to adopted PDA Place Types, but are not the only nodes for employment concentration. The vast majority of office parks are not identified as PDAs (due in part to a lack of transit access), but will continue to have an important role in the regional economy.

⁶ Abel, J., Dey, I., and Gabe, T. "Productivity and the density of human capital," *Journal of Regional Science* 52:4 (562-586), October 2012

Figure 2. Centers



Regional Centers

Regional Centers are the economic and cultural hubs of the Bay Area: the downtowns of San Francisco, Oakland, and San Jose. In addition to anchoring the Bay Area economy, they are linked to the national and international economies. They are served by highest levels of transit, and are the focus of a host of future investments—including the Transbay Terminal in San Francisco, capacity improvements to East Bay BART and AC Transit service, and enhancements to Diridon Station that will accommodate high speed rail and the extension of BART service to San Jose. Federal, state and local government offices are also focused in the regional centers.

Regional centers are anticipated to expand their roles as dense clusters of office jobs, particularly activities in the knowledge sectors—reflecting a growing preference among workers and employers for urban amenities, transit access and dense networks of knowledge exchange.

Regional centers are also projected to accommodate a significant amount of new housing. This will increase the hours of activity and help make local businesses providing both basic services and niche industries more viable. Evidence of this diversification is already evident in the boom in new apartment construction in areas such as San Francisco’s South of Market and the growth of clusters for cultural activity such as Oakland’s Uptown. The presence of specialized local food, retail, and entertainment establishments plays an important role not only in attracting new residents, but also in attracting office

tenants from the tech and creative sectors. Combined with transit and a commitment to sustainability, proximity to restaurants and bars has been cited by businesses leasing office space in Downtown Oakland.⁷ In addition to accommodating new office tenants, meeting the spatial needs of local entrepreneurs to experiment and expand is an important part of creating vibrant centers.

Potential Priorities for Regional Centers include:

- **Meet the spatial needs of growing knowledge-sector firms** attracted to regional centers, in particular tech companies. This may involve adjusting zoning and design guidelines; refining review processes and fees; and ensuring that adequate land exists to facilitate future expansion.
- **Support and expand “social infrastructure”** such as cafes, restaurants, and places that facilitate collaboration and have been shown to contribute to innovation and clustering. This may involve refining regulations, or drawing upon successful efforts in other parts of a center or another part of the region.
- **Provide space for incubating start-ups focused on culture, food, and other specialized activities** by leveraging publicly owned buildings or public spaces, or by partnering with private companies and non-profits (for example, Macy’s provided free workspace to an SF Fashion Incubator supported by the SF Center for Economic Development).
- **Address the needs of existing businesses facing new challenges:** A series of resources, programs and actions may be needed to address the needs of businesses at risk as regional centers transform. Some may benefit from programs that support modernization and facilitate linkages with growing sectors. Others may need resources of job training or business relocation services to identify new pools of affordable employees or alternative locations for operation.

City, Suburban, and Transit Town Centers

City, Suburban, and Transit Town Centers are current and projected centers of economic activity for medium-sized cities and clusters of smaller cities designated by local jurisdictions. These centers are within walking distance of convenient fixed route transit, including BART, CalTrain, Sonoma Marin Area Transit (SMART), Capitol Corridor, and light rail or express bus service. Some of the centers, particularly those in Silicon Valley, are home to the headquarters of a handful of companies that are integrated into the international economy. Other centers provide support services for companies with headquarters elsewhere in the Bay Area or outside of the region. Many of the centers are historic downtowns with local services, government headquarters and cultural activities, while others only contain commercial office buildings but are planned for a greater diversity of land uses.

Like Regional Centers, this group of centers is increasingly attractive to knowledge-sector companies because of their access to the transit, amenities, and opportunities for face to face collaboration. In addition to employment growth, the centers are anticipated to accommodate more than a quarter of the region’s new homes in a variety of housing types ranging from mid-rise apartment buildings to rowhouses and small lot single family houses. This growing residential population is expected to support commensurate increases in civic, cultural, and retail services—in many cases helping make centers more complete.

⁷ Fast Company, 5/1/12, “Why Startups Hella Love Oakland.”
Link: <http://www.fastcompany.com/1836098/why-startups-hella-love-oakland>

Potential Priorities for City, Suburban and Town Centers include:

- **Focus public buildings and investments in centers**, in particular immediately around transit, to help create critical mass and support local businesses. This can be accomplished by enhancing coordination among city, county, school and special districts, or through the adoption of policies.
- **Expand opportunities for local businesses to develop, market, and sell products** within centers. This can involve increased use of public spaces for farmer’s markets and temporary vending, as well as coordinating the use of public or private buildings by “pop up” businesses for a designated period of time, and outreach to local residents in multiple languages. These approaches can be linked to community development efforts that provide financial and other assistance to local businesses. Successful businesses looking to expand operations should be connected to building owners and others with vacant building space along retail streets in the center that is for lease on a long term basis.
- **Revise zoning and design guidelines as needed to meet spatial requirements** of tech and other growing industries while maintaining options for a mix of economic uses, including retail, office and services.

Office Parks

Office Parks are single-use districts of commercial office buildings, typically with low densities and convenient highway access. Occupants vary widely across the region, from dentist and doctors’ offices to campuses for major companies such as Google and Oracle.

Several office parks with excellent regional transit access, such as Hacienda Business Park adjacent to the Dublin/Pleasanton BART station, were designated future City and Suburban Centers by local jurisdictions. A number of office parks with local transit access were designated Employment Investment Areas –which are anticipated to remain predominantly single-use, but to integrate new daytime services such as restaurants, gyms, and pharmacies, as well as improved pedestrian facilities.

While office parks are not targeted for intensive growth, they will remain a primary land use in some parts of the region. Office parks experiencing high levels of vacancy are being converted to residential use in some places, and can help accommodate the growth of companies that need industrial space not suitable for centers, such as logistics and light manufacturing. Diversifying the land use mix and level of pedestrian, bicycle, and transit access to workplaces in office parks is an important part of achieving the region’s GHG emissions reduction targets.

Potential Priorities for Office Parks include:

- **Diversify land use mix** through planning and infill development that adds services that support daytime population.
- **“Last mile solutions”** to increase access to workplaces from transit stations beyond walking distance of office parks (e.g. shuttle service, bike and electric vehicle sharing), and improvements to pedestrian environment within office parks.
- **Increase flexibility of vacant and underutilized office space** to accommodate uses that are not transit supportive but support growing sectors of the region’s economy—such as light

manufacturing—as well as older established businesses that can no longer afford space in regional and town centers.

- **Targeted land banking for long-term reuse.** This could include light and heavy industrial activities in places with limited transit access and medium to high density mixed-use development in places with strong transit access.
- **Campuses for emerging giants.** Work with large, rapidly growing employers in expanding sectors to identify the potential role of office parks to meet needs of campus settings.

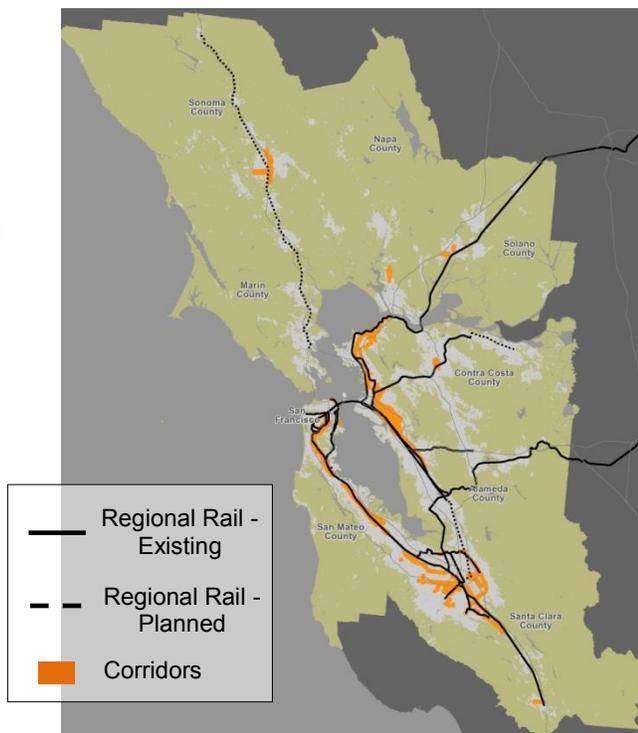
Corridors

Corridors are linear districts along major arterials such as El Camino Real/Mission Street, San Pablo Boulevard, and Stevens Creek Boulevard. Corridors provide retail and professional services for surrounding neighborhoods, but in some cases also include clusters of specialty food, cultural and retail uses. Some corridors are already served by rail or rapid bus; frequent service in dedicated rights of way is planned for most of the others. Jurisdictions are working collaboratively to transform the auto-oriented portions of corridors into mixed-use environments with complete streets that balance the needs of pedestrians, bicycles, transit vehicles with smooth traffic flow. In recent years, the Grand Boulevard Initiative has brought together the public and private sectors of communities along El Camino Real in San Mateo and Santa Clara County to establish a common vision. The participation of these parties helped create a model for collaboration that can be extended to other corridors in the Bay Area.

Potential Priorities for Corridors Include:

- **Coordination between cities, business communities, transit agencies, and the California Department of Transportation (CalTrans)** to align planning and design efforts along corridors

Figure 3. Corridors



that cross jurisdictional boundaries, building upon the Grand Boulevards Initiative. Regional agencies can help facilitate resolution of implementation challenges related to CalTrans standards.

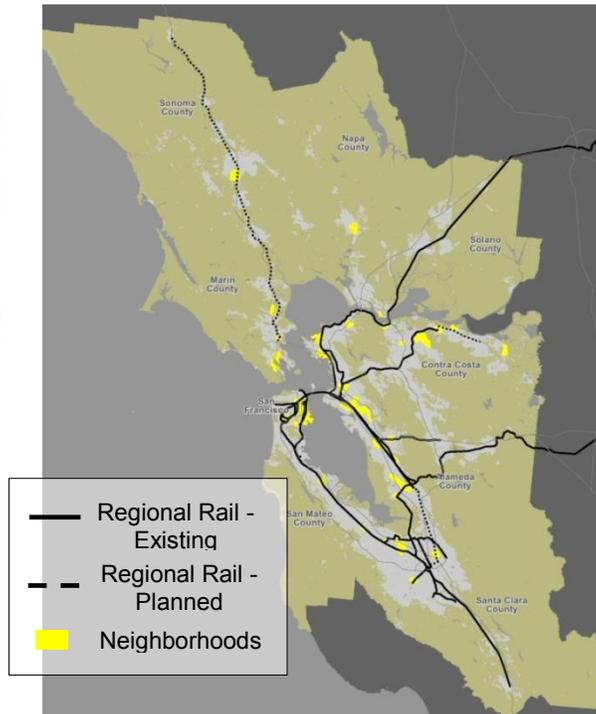
- **Identify and implement creative approaches to redeveloping strip malls and underutilized commercial buildings** with deep setbacks from the public right-of-way. This can draw upon successful regulatory practices in cities such as Emeryville. This should be coupled with efforts to retain small businesses serving the unique cultural needs of surrounding communities.
- **Support development and expansion of small businesses**, and facilitate the use of underutilized public and private buildings for “pop ups”. This can involve outreach to cultural and social networks in communities surrounding corridors.

Neighborhoods

Limited change is expected in the vast majority of Bay Area neighborhoods. Some jurisdictions have adopted residential areas within walking distance of transit for new housing and supportive services as PDAs. These supportive services are expected to provide opportunities for new small businesses—the scale and variety of which varies between Urban Neighborhoods around regional centers to Transit Neighborhoods in places with frequent transit service but a less urban character.

Home-based businesses, which are sprinkled throughout neighborhoods, have an important role in the regional economy; inventions in garages and kitchens have gone on to create thousands of jobs and reshape entire industries. In Urban and Transit neighborhoods, home-based and existing local businesses are expected to be complemented by a wider array of services, including public facilities to meet the needs of a growing population.

Figure 4. Neighborhoods



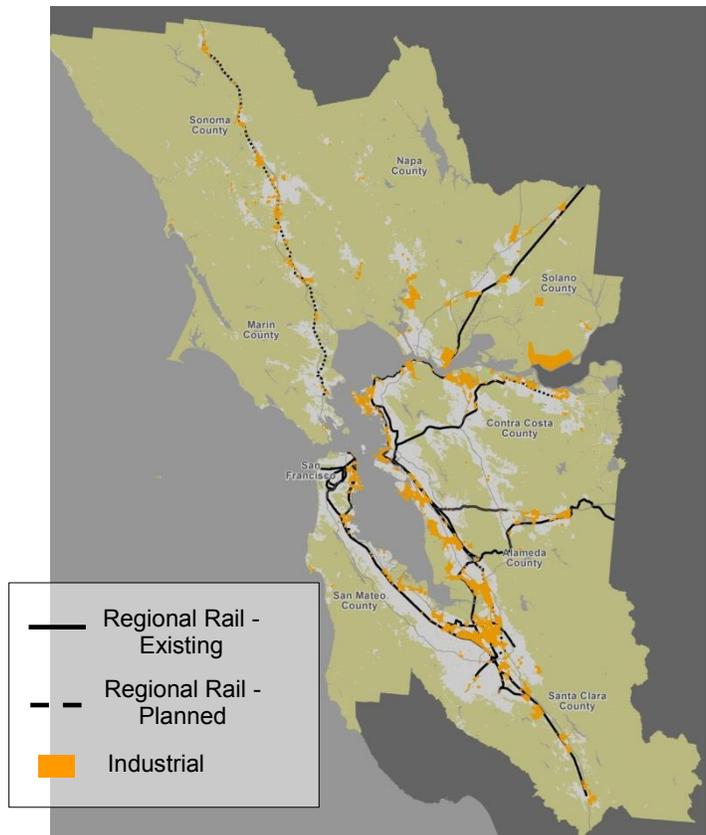
Potential Priorities for Neighborhoods include:

- **Support retention of small businesses that reflect the unique culture and lifestyle** of communities within a neighborhood.
- **Expand local businesses** such as grocery stores in underserved neighborhoods
- **Increase installation of solar panels, graywater systems, electric vehicle charging capacity and other green technologies** by reviewing city standards and coordinating with providers. This should target homes as well as publicly owned facilities. This approach can reduce household costs while also supporting green industries located in the region's centers, corridors and industrial area.
- **Outreach to home-based businesses** seeking space to introduce products and expand operations in surrounding communities. Connect these businesses to public and private parties offering space on a temporary or permanent basis.

Industrial Land

Industrial land is distributed throughout the Bay Area, typically in close proximity to highways, rail corridors, and ports. The range of activities taking place on industrial land continues to diversify, with small scale operations such as coffee roasteries joining more research and development and logistics, as well as traditional manufacturing and warehousing. Industrial land provides space for the food production, catering operations, and transit vehicle storage needed for successful centers, corridors and neighborhoods. Industries expected to provide additional career ladder job opportunities and support the

Figure 5. Industrial Land



green economy, such as electric vehicles and renewable energy, also often require industrial space to develop products and scale up operations.

Priorities for industrial land vary across the Bay Area, reflecting access to transportation networks, land values, economic clustering, and labor markets. For example, industrial land in much of Sonoma County supports the agricultural sector, while vacant and underutilized land in parts of Solano County, such as Mare Island, is being converted to a growing cluster of green manufacturing activities including electric vehicles and energy-efficient prefabricated homes. These locations are attractive because they are less expensive, accessible by shipping channels, and still within driving distance of Silicon Valley. In the South Bay and parts of San Francisco, in contrast, close proximity to research and development lead to a greater emphasis on high-tech and bioscience activities. In other parts of the region, such as Emeryville and South of Market in San Francisco, smaller scale artisan manufacturing and cultural activities occupy a significant amount of industrial land.

Potential Priorities for Industrial Land include:

- **Identify and protect strategically important industrial land**, drawing upon best practices from within and outside the region.
- **Identify the spatial needs of growing businesses and adjust land use standards** to address these needs.
- **Increase the ability of growing Bay Area companies**—particularly those in the Clean Technology sector—to **rapidly identify and acquire space** for scaling up operations.
- **Develop strategies for preserving land for activities necessary to the functioning of centers**, such as vehicle storage and food distribution, that may face difficulties paying increasing rents in places proximate to centers.
- **Address employee access to workplaces without transit**—in particular for industries of opportunity identified as part of the Bay Area Prosperity Plan.

Farmland

The Bay Area’s farmlands result in over \$1.8 billion of crop production value annually and generate nearly 25,000 jobs—including 8.2% of jobs in Napa County and 3.7% in Sonoma County.⁸ The region’s agricultural industry creates a Bay Area “foodshed” that includes access to fresh produce, greater security as climate change effects the stability of production worldwide, and a strong rural economy. Farmlands offer additional economic benefits through the activities that accompany agriculture, such as food processing, specialized food and wine products, and food-related tourism. Farmland also contributes to the unique character of the Bay Area that continues to attract new residents and is a contributing factor to the selection of the region by company founders. Agricultural land is an integral part of the region’s infrastructure network, dependent on road and rail access to markets within the Bay Area’s urban areas and outside of the region. Farmland also supports the region’s watershed by allowing water infiltration into the groundwater storage system, contribute to flood control, and absorb greenhouse gas emissions. As the industry evolves, many farms will benefit from streamlining the process for adding commercial kitchens and other facilities that support value-added activities.

⁸ Crop Reports, Bay Area Counties, 2010 and 2011; US Census 2010

Potential Priorities for Farmland include:

- Renew and strengthen policy protections for agricultural land
- Update land use standards for farmlands to permit (where appropriate) value-added activities and facilitate successful continued operation
- Invest in strategic “farm to market” projects that improve the ability of farmers to efficiently transport produce to processing facilities and directly to customers
- Create a regional farmland protection plan. This concept was addressed in greater detail in the *Conservation and Open Space Policy Background Paper*.

Implementation Strategies

The strategies introduced below can be coordinated by ABAG to achieve the economic growth pattern envisioned in Plan Bay Area and enhance the capacity of the region’s jurisdictions to expand the opportunities available to their residents. The strategies respond to the challenges discussed in this paper and the unique role of ABAG in empowering Bay Area cities and towns to overcome these challenges, as well as ABAG’s role as a convener of public, private and non-profit stakeholders.

Strategy One: Model Land Use Guidelines for the Future Economy

Many of the Bay Area’s emerging industries and promising small businesses want to locate in PDAs and expand operations within the region, but need different kinds of workspaces and business environments than the companies for whom existing zoning and other standards were written. With the continued reduction in the amount of space required by professional services and other traditional office tenants and the growing demands of innovation-driven companies, meeting these needs is critical to creating vibrant PDAs and supporting the overall regional economy. Meeting changing spatial needs is equally important for accommodating local entrepreneurs seeking to sell unique foods and services, supporting successful small farms, and retaining industrial activity as it evolves. At the same time, the region’s jurisdictions must ensure that these emerging industries enhance the communities and public realms in which they are located.

To meet this challenge, ABAG can coordinate an effort to create model land use guidelines for attracting and successfully integrating growing economic activities into PDAs and other areas targeted for job growth. Model guidelines are based upon successful examples throughout the region and nation, and allow jurisdictions to adjust their zoning ordinances, design guidelines, or other regulations at lower cost and greater probability of success. The guidelines would address a variety of emerging activities—such as tech company offices, temporary retail space, research and development, vending districts, value-added agricultural activity and green manufacturing—and would be tailored to the levels of density in different kinds of PDAs and business districts. The guidelines would also take into account multiple hazards (earthquakes and sea level rise) to enhance the resilience of businesses to natural disasters and the impacts of climate change. Because one-third of the 1.1 million new jobs over the next three decades are expected to be accommodated within existing building space, the codes will consider both retrofits and new construction. The process of guideline development would involve consultation with jurisdictions, industry, and stakeholders to balance the needs of businesses with community priorities.

This strategy would involve:

- Analyzing the needs of different kinds of growing industries, focusing first on those seeking to locate in PDAs. Companies, small business organizations, industry groups, and jurisdictions would be surveyed to gain and confirm information. This would include outreach in appropriate languages to business communities for whom English is a second language. Following the analysis, ABAG would produce a report illustrating the spatial needs of different kinds of activities, including the way in which these activities can be successfully integrated into different contexts and at different densities (density levels could be linked to the PDA Place Types).
- Identifying successful efforts by cities in the Bay Area, state, and beyond to accommodate these activities in a way that benefits the communities in which the activities are located, including places at a variety of scales and densities. This would involve compiling zoning ordinances and other guidelines and identifying success factors. Because change (in growth rates, products, location preferences) is one of the defining characteristics of the new economy, this process should include identifying examples incorporating flexibility of use and design into ordinances.
- Developing and distributing model zoning and design guidelines, as well as incentives and other regulatory mechanisms if appropriate. The codes would be distributed to jurisdictions in a report categorized by economic activity (e.g. temporary retail) and place type (e.g. city center), as well as in a set of electronic files with model text, tables and graphics to incorporate into local standards. This would involve multiple rounds of revision based upon stakeholder and jurisdiction feedback.
- Providing assistance to jurisdictions in interpreting and implementing the model guidelines.

Strategy Two: PDA Start-Up to Scale-Up Initiative

This strategy would build upon Strategy One to help ensure that a diverse array of start-ups (ranging from software companies to “smart grid” developers to food and clothing makers) locate and expand operations within the network of transit-connected PDAs. This involves updating local zoning and other standards to integrate these activities into PDAs (addressed in Strategy One); improving coordination between start-ups, property owners, and jurisdictions about the needs of emerging businesses and their potential contribution to PDAs; and increasing the flow of information about demand for and supply of space—both public and privately owned—in PDAs. The final issue is particularly critical for small businesses that are prepared to begin selling at farmer’s markets or move into an office space, but have limited information about the range of available options and the potential benefits of selecting different locations. For jurisdictions with underutilized property inside PDAs, increasing the flow of information can help attract vendors to weekly fairs, or help find temporary tenants for vacant storefronts along main streets, helping create the critical mass necessary for successful retail district.

This strategy would help bridge the existing information gap while also enhancing collaboration between start-ups, jurisdictions, and property owners to help create more vibrant business environments in PDAs. It would draw upon the region’s wealth of information systems expertise and entrepreneurial spirit. Jurisdictions would opt-in to the initiative by agreeing to provide updated data about their Priority Development Areas and helping coordinate outreach efforts. It would not replicate existing resources

advertising commercial floorspace, but would improve the scope of information available to a broader range of businesses and consolidate existing information.

The initiative would be two-fold, including an ongoing research and outreach component and an online component. This would involve:

- Performing research into the economic, physical, and infrastructure conditions of the region's PDAs, including:
 - o Existing economic landscape of the region's PDAs: Concentrations of different activities, characteristics of different business types, clustering of emerging industries, vacancy levels, characteristics of market area, and levels of projected growth. This would draw upon the wealth of data collected during the Plan Bay Area planning process.
 - o Amenities: Transit access, local services (e.g. restaurants, grocery stores, cafes, etc.), public facilities (e.g. schools and libraries), and parks and open space
 - o Plans and regulations: Permitted development; entitlement streamlining, incentives and information about one-stop service centers for permits, licensing and other requirements
 - o Opportunities to acquire space: farmer's markets; "pop ups" and other temporary retail spaces, offices, exhibits, galleries, and studios; street fairs; incubators (research and development as well as pooled office space); and vacancies advertised on the private market

- Complementing this research by identifying and tracking:
 - o Commercial floorspace absorption and demand, with a focus on PDAs and subregions
 - o Employer expansion by sector and sub-region, and availability of space to meet the needs created by this expansion

- Conducting outreach to build awareness of the initiative, gather information, and develop partnerships. This would target:
 - o Property owners, local businesses and community organizations (in multiple languages)—to build awareness of program and opportunities within PDAs. This could be driven by local economic development groups. Computers could be provided in government offices, libraries or elsewhere to expand online presence.
 - o Jurisdictions—to connect to businesses seeking additional space on a temporary basis, or to manage implementation of code changes
 - o Start-ups and growing businesses representing emerging technology, food, cultural, and services sectors—to identify opportunities and obstacles to locating and succeeding in PDAs. This could take the form of an annual focus group.
 - o Local economic development organizations—to link the overall effort to business assistance, funding sources, outreach, and communications resources available in different parts of the regions.

- Creating and operating an online platform. This would involve:
 - o Identifying a team to design and operate a permanent website focused on business development in PDAs. This could tentatively be called "Start-Up Scale-Up Bay Area," and could be a public/non-profit/private partnership supported by a combination of

- jurisdictions, workforce investment boards, research institutes, web design groups, and labor and business groups.
- Centralizing the information gathered through the research and outreach effort, as well as information from other workforce development and county and local business development websites.
 - Establishing a data sharing agreement with participating jurisdictions, service providers, and other key data sources (including sources for gathering data from building owners). This would allow the data on the website to be frequently updated and remain current.
 - Operating a website that allows users to:
 - Search for space by type (e.g. farmer’s market, retail shop, lab), location, price, amenities, market area, walk score, etc.;
 - In map view, users could see the range of amenities nearby a location being offered (e.g. restaurants), planned improvements (e.g. street trees/better sidewalks), permitted development, and other location-specific data.
 - Link to sites offering financial assistance and other incentives for starting or expanding a business.
 - Add listings free of charge (listings will be included on the site in text and map form, and the locational information regarding amenities and other factors will be associated with the listing)
 - Contribute to and create forums that can develop organically
 - Link to social media tools such as Twitter, Facebook, etc.

Strategy Three: Annual RPC Economic Development Forum

A key objective of Plan Bay Area and the Bay Area Prosperity Plan is to better integrate economic development into regional planning activities. These efforts have brought together a diverse set of stakeholders to focus on economic issues of regional importance. Regional bodies have an important role in maintaining this momentum by continuing to convene action-oriented forums that include a cross-section of the Bay Area’s population and are accessible to the public.

With representation from the region’s elected officials and members of the business, environmental, equity, and labor communities, the RPC could host discussions on regional economic development priorities in the context of comprehensive land use planning and development of complete communities. This strategy proposes the creation of an annual forum on a place-based economic development priority that would lead to concrete actions implemented by jurisdictions, regional agencies, and partners.

The strategy would involve:

- Devoting one RPC meeting per year to a workshop on an Economic Development Priority. Based on the Bay Area Prosperity Plan and the potential priorities proposed in section 4.1 of this paper, ABAG staff will work with the RPC to identify an annual Economic Development Priority topic (e.g. expanding social infrastructure in Centers, or diversifying land use mix in Office Parks). The priority topic would vary from year to year to help address the unique challenges of parts of the region with different levels of density, land use mixes, and levels of transit access.

- Identifying potential actions: the anticipated outcome of the workshop would be a set of recommended regional actions that would be compiled into a report and presented to the ABAG Executive Board for adoption. In advance of the workshop, ABAG staff would produce an in-depth paper on the priority issue and provide a menu of potential actions that jurisdictions and the regional agencies can take to address the issue. During the workshop, RPC members could rank potential actions, introduce others, and help identify partnerships for implementing the actions.
- Producing a report with recommended actions based upon the RPC workshop for adoption by the Executive Board. Following executive board adoption, the report would be distributed more broadly as an agenda for regional action.

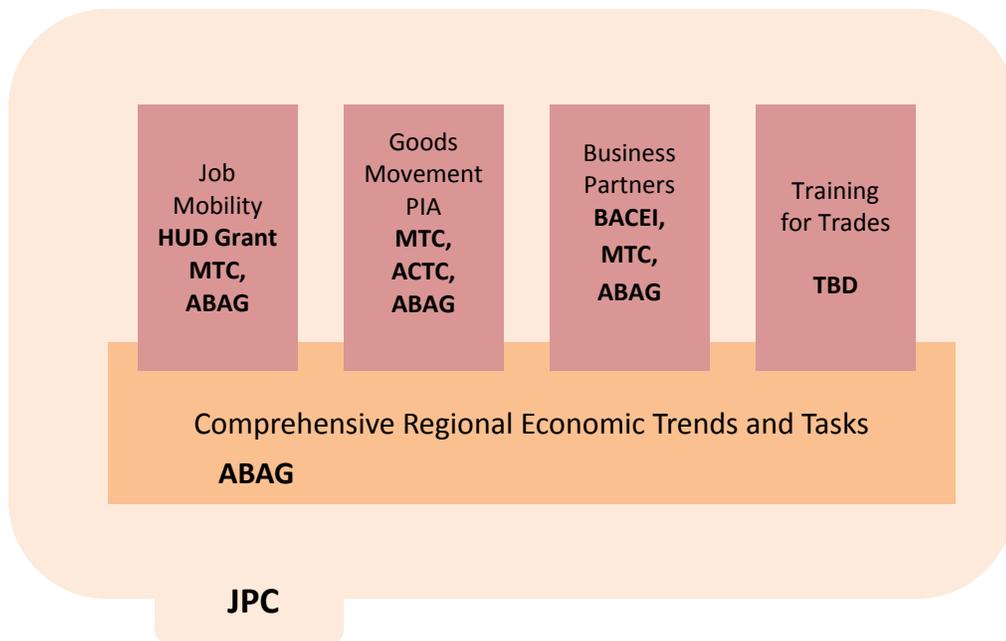
Looking Forward

One lesson of decades of economic development programs is that those efforts are most successful that build from local resources and talent but recognize the regional and global context. A regional role in local economic development could provide information on flows beyond the local context, facilitate communications among jurisdictions within the region, offer resources that are applicable to multiple jurisdictions, and provide context and support for the region's brand as perceived statewide, nationally and globally. The Bay Area Prosperity Plan, in preparation and scheduled for completion in early 2015, provides an initial vehicle for developing a regional, coordinated approach to expanding economic opportunities in the region. More specifically, the Prosperity Plan will identify the types of potential partnerships and collaborations that can support expanded economic opportunities for low- and moderate-income workers, and provide a strategy framework and action plan to inform local and regional economic development activities, workforce training and job placement programs, small business development initiatives, as well as regional transportation infrastructure investments to support access to economic opportunities for Bay Area residents. The Prosperity Plan will also identify and fund pilot local and regional economic development projects integral to the implementation of Plan Bay Area. While the Prosperity Plan focuses on low- and moderate-income workers, the strategies proposed in this policy paper would address a broader set of needs over a wide range of industries and a wide variety of place types.

Framework for Coordination of Regional Economic Projects
ABAG Staff, January 2014

The economic health of the SF Bay Area is an identified priority of the Joint Policy Committee (JPC). Given the recent economic recovery and the implementation of *Plan Bay Area*, an understanding of economic strengths, challenges and strategies is an essential element of regional policy. In addition to background material prepared for *Plan Bay Area* several projects are being developed at the regional scale which are closely related to our regional agencies. Because economic analytic capability and land use planning functions related to economic activity are housed at ABAG, we propose that ABAG develop a comprehensive framework to provide context and coordinate current and future economic development projects. Cynthia Kroll, ABAG’s chief economist, would lead this effort. This framework will help us maximize our resources, understand the specific complementary roles of each project and facilitate collaboration across projects and across agencies. This memo provides a preliminary framework for organizing our various regional economic development projects.

The JPC is involved in four projects related to economic development, shown in the diagram below, in order of their current stage of progress. Each effort has distinct purposes, is at a different stage of development, and engages different players, as described in the chart following the diagram. These varied qualities provide a rich platform of economic assessment and together can facilitate solid strategies to support employment growth, regional and local economic vitality, and quality job opportunities for the future work force.



Under the HUD Grant, the Economic Prosperity Working Group has focused its efforts on identifying means of supporting middle income jobs and of providing career ladders from low wage entry level employment into occupations with better earning potential. The Goods Movement study directed by

MTC but also involving the Alameda County Transportation Commission and ABAG, addresses the role of goods movement in the employment base (both directly and in support of key economic functions), in the ease of transportation and congestion issues (both within and beyond the borders of the region), and in its interaction with land use functions. The BACEI economic strategy will recognize the role of private business as the foundation of employment in the region and develop a process for engaging strategic thinking business and community leaders in developing strategies for overcoming barriers and enhancing business and employment growth. A fourth initiative at early stages of discussion would address the shortfall in skilled trades workers in the region and identify means of developing opportunities in the trades as one path to middle-wage employment and industry retention.

The following sections describe each project in more detail. This note ends with a brief overview of the role ABAG could play in framing the projects within this related area of work.

	Job Mobility	Goods Movement, PIA	Business Partnerships	Training for Trades
Home	HUD Grant	MTC, ACTC, ABAG	BACEI	TBD
Engagement	Cities, worker and business organizations, schools	Transportation agencies, cities, businesses	Businesses leaders and key players	Workforce boards, schools
Status	Preliminary reports completed	Convening participants	Scoping and coordination with JPC	Defining goals
Schedule	Fall 2014	2015	2014	TBD
Purpose	Retain and expand access to middle income jobs	Meet increasing demands for goods movement, address environmental and community impacts	Identify key opportunities and actions for healthy business climate and job growth	Strengthen the match between business needs and school programs for essential trades

Job Mobility – ECONOMIC PROSPERITY STRATEGY

Under the HUD Prosperity Grant the Economic Prosperity Working Group (EPWG) is charged with the development of a targeted Regional Economic Prosperity Strategy aimed at expanding economic opportunities for low- and moderate-income residents in the San Francisco Bay Area, to be achieved by collaborating with local and regional stakeholders, underserved communities and program partners, as well as the HUD project’s Housing Working Group and the Equity Collaborative. The prosperity strategy identifies “industries of opportunity” and “places of opportunity” that can provide quality jobs to target populations. Industries of opportunity have significant projected job growth accessible to low-income communities and include middle-wage occupations on clearly defined career pathways for low- and moderate-income workers. Places of opportunity are neighborhoods or districts that are well-positioned to benefit from the location of new businesses, support for existing businesses, and expanded job opportunities for low and moderate income residents.

Key objectives include a *coordinated regional approach* to expanding economic opportunities for low- and moderate-income residents in both transit-served job centers and in communities with high concentrations of unemployment and poverty; *engage* local and regional partners, public and private sector stakeholders, low- and moderate-income communities, and the three project working groups in the process; a *strategy framework and action plan* to inform local and regional economic development activities, workforce training and job placement programs, small business development initiatives, as well as regional transportation infrastructure investments; underlying *quantitative and qualitative research and analysis*; identify *potential partnerships and collaborations* that can support expanded economic opportunities for low- and moderate-income residents; identify and prioritize the types of *potential pilot projects*; identify opportunities to *integrate Plan Bay Area in the regional strategy*; and develop recommendations for *implementation beyond spring 2015*. The project is entering its third year with the selection of pilot projects.

Goods Movement

The movement of freight, and the protection of production and distribution businesses, have important environmental, economic and equity implications for the region. The region is home to the fifth-busiest maritime port in the nation, the Port of Oakland, which serves not only Bay Area residents and industries but also provides a critical link to national and international markets for North Bay and Central Valley agriculture. Furthermore, the nine-county Bay Area is closely connected with its adjacent counties and metropolitan areas. Alameda, Solano, Contra Costa and Santa Clara counties are especially affected by decisions in neighboring counties outside of the nine-county Bay Area related to inter-

regional commuting, shipping and land use patterns, housing needs and job access. ABAG and MTC recognize the need for coordinated planning of local, regional and state investment strategies to ensure that the Bay Area's growth opportunities and inter-regional challenges are adequately addressed.

Current efforts on goods movement within the regional agencies involve updating the *regional and subregional analysis of goods movement* in terms of the role of the transportation system, land use requirements, and air quality implications; identifying *best practices for economic development* as this relates to goods movement, *coordination with subregional and local jurisdictions* on the sometimes competing demands of truck flows, freight rail, and passenger travel, and collaboration with the *Alameda Countywide Goods Movement* planning process to identify needs and short and long term priorities for freight and goods movement.

Business Partnerships – DEVELOPING A BAY AREA ECONOMIC STRATEGY ENGAGEMENT PROCESS

The Bay Area Council Economic Institute (BACEI) has requested funding for a "Process of Engagement to Action." This would follow on the earlier 2012 BACEI detailed economic assessment of the region, carried out in collaboration with the JPC regulatory agency members (MTC, ABAG, BAAQMD and BCDC). *The Bay Area Regional Economic Assessment* comprehensively assesses what is driving the regional economy from the perspective of competitiveness, growth, and jobs, identifies impediments to stronger growth and job creation, and makes suggestions for establishing and addressing regional economic priorities. The assessment provides a shared foundation of facts and analysis on which both government and business can build a closer strategic partnership.

BACEI now proposes to initiate the development of a Bay Area Regional Economic Strategy engagement process as a true public-private partnership. The process would be conducted by the BACEI professional staff in cooperation with the business leadership organization of the Bay Area Council. The first stage involves meeting with local leaders and organizations that have developed their own economic development strategies, to learn from the experiences of the different organizations and identify linkages and commonalities across the region. Representatives of social equity, labor and environmental organizations will also be consulted in the research and outreach process. These initial subregional consultations will be a first step in engaging key partners and stakeholders and recognizing their priorities and shared interests.

The next stage of the process involves convening a diverse group of stakeholders from the business community (representing a wide spectrum of industries, firm sizes and leadership roles) and the public sector into a steering committee whose tasks will be to *explore the region's best opportunities for*

economic success, frame an overall strategy, and define concrete actions. Participants will be strategic, open-minded thinkers. As the process identifies specific areas for action, the steering committee will create action teams that include diverse participants from additional perspectives and areas of expertise to develop concrete actions.

Training for Trades

This initiative, in the early conceptual discussion stage, would link training programs at a variety of education levels to the demand for skilled trades. The topic area overlaps each of the other initiatives under discussion. For example, training for trades could provide one avenue to move high school students directly into occupations with middle wage career paths or to transition lower wage workers into middle wage jobs or up the career ladder within middle income jobs. On the business side, labor availability in the trades may be a crucial element for some sectors, while training in skills required for transportation and distribution occupations could become one strategy among many for successful goods movement.

ABAG Coordination of Regional Economic Development Efforts

Each of these efforts is of importance to the region on its own, but each is also relevant to the other projects described here as well as to additional responsibilities of each of the regional agencies and beyond the regional agencies. Framing and coordination of these various economic development related activities by ABAG can enhance the value of the economic analysis, planning, strategies and programs that emerge from each project for each of the regional agencies and for the region as a whole.

ABAG is well positioned to provide this oversight. An overview of regional economic strategic efforts is a natural outgrowth of ABAG's forecasting and analytic responsibilities regarding the region's economy, population and income. ABAG has worked closely with the BACEI on economic analysis for Plan Bay Area, and ABAG's Chief Economist has long been on the BACEI economic advisory board.

Going forward, it will be important to integrate the results of these efforts into ABAG's State of the Region report in 2015 and economic analysis for the 2017 Sustainable Communities Strategy. This oversight function could add value to the JPC sponsored work in several ways:

- **Coordination:** Process or output of one project can inform the work in other projects. Goals of projects may overlap and if coordinated can enable both projects to reach more successful outcomes.

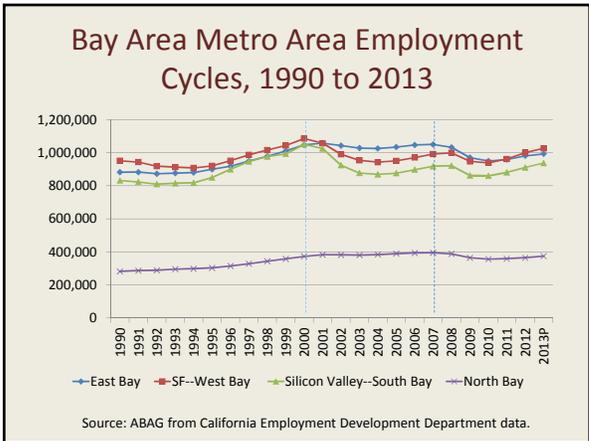
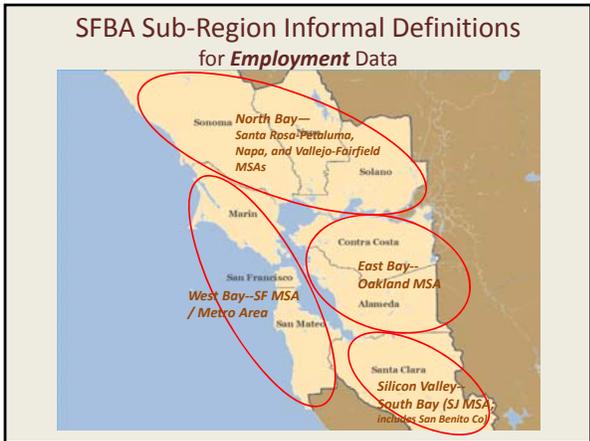
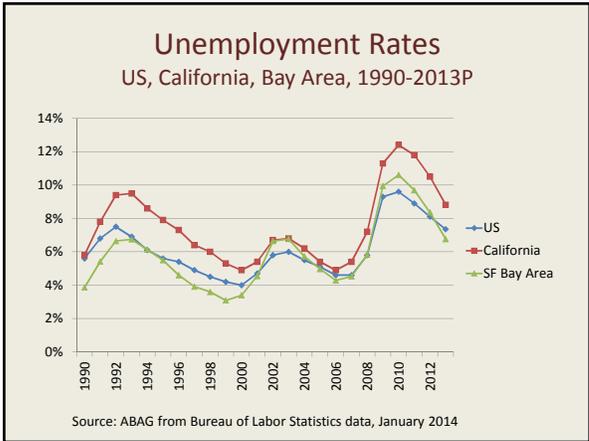
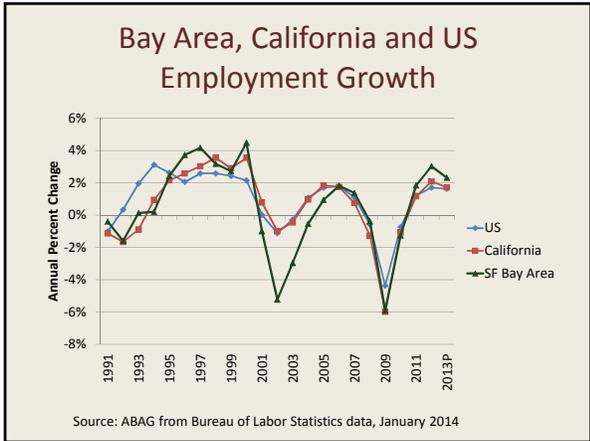
- Communication: An organization with an understanding of local and regional economic conditions and objectives can play a role in facilitating communication among projects and in establishing communications between stakeholders in different settings (for example, communicating the existence of policies related to business requirements to local PDA planners) and with complementary interests (for example, community organizations and trade organizations)
- Vision: As a disinterested organization representing elected officials, ABAG can communicate a regionwide vision of economic development goals that cross different stakeholder groups, as developed in partnership with stakeholders, other regional agencies, and other public agencies.
- Moving between scales of activity: As an organization that works at the regional and local levels, ABAG can assist with translating local concerns to projects taking on a regional overview and the implications of the regional overview back to the implementation level for local jurisdictions or individual businesses or households
- Analysis: ABAG has staff experienced in regional analysis to provide oversight of methodology, conceptual approaches, and interpretation of results for individual projects as well as insight into the applications of the project results.

This will be a framework for incorporating future work as well as the current projects.

Bay Area Economic Update

Cynthia Kroll
Chief Economist, ABAG
Regional Planning Committee Meeting
February 5, 2014

- ## A Few "Snapshots" of Key Issues
- Recovery or expansion—what does it look like in the Bay Area?
 - Consequences for income and poverty
 - Housing affordability in recession and growth periods



Job Recovery from What Point?

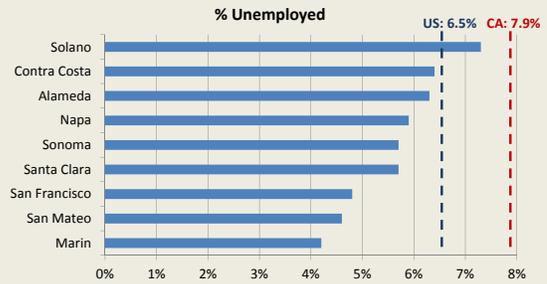
	2000	2007	2013P	Index 2013 to base Year	
				2013/2007	2013/2000
East Bay	1,047,600	1,049,600	992,392	0.95	0.95
SF MSA	1,085,800	991,800	1,026,808	1.04	0.95
SJ MSA*	1,051,300	917,800	937,408	1.02	0.89
North Bay	373,100	395,000	374,367	0.95	1.00

- Getting Better
- Close to full Recovery from 2007

From 2007?
From 2000?

Source: ABAG from California Employment Development Department data;
*San Jose MSA includes San Benito County, not part of the San Francisco Bay Area as defined by ABAG.

Unemployment by County December 2013 (not seasonally adjusted)



Source: ABAG from California Employment Development Department data, January 2014.

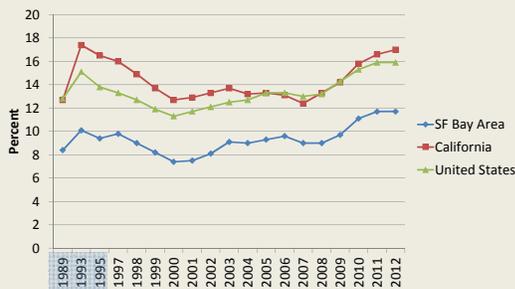
Top 3 Growing Sectors by Subregion, 2013

	BY JOB GROWTH	BY PERCENT CHANGE
EAST BAY	Leisure/Hospitality Construction Prof/Sci/Tech	Construction Arts/Entertainment Computer Sys Design
SF—WEST BAY	Accommod/Food Admin Support Prof/Sci/Tech	Arts/Spectator Sports Construction Personal Services
SILICON VALLEY	Admin Support Prof/Sci/Tech Leisure/Hospitality	Construction Admin Support Comp/Periph Mfg
NORTH BAY	Leisure/Hospitality Retail Nondur Mfg; Const	Special Dist/Indian Tr Construction County Government

Effects of Recovery (and Recession) on Regional Issues

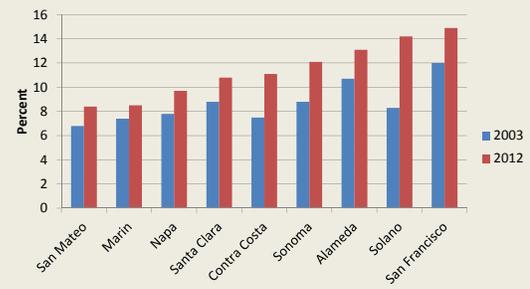
- Poverty—Is poverty improving as the economy grows?
- Housing affordability—
 - Did a softening housing market improve affordability?
 - Will a strengthening employment situation worsen affordability?

Bay Area Poverty Rates at a Peak, but lower than US, California

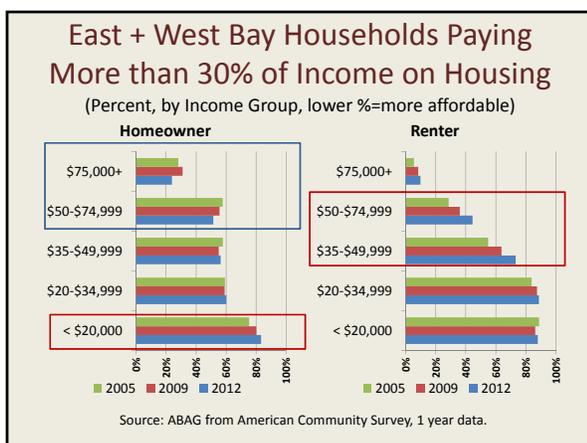
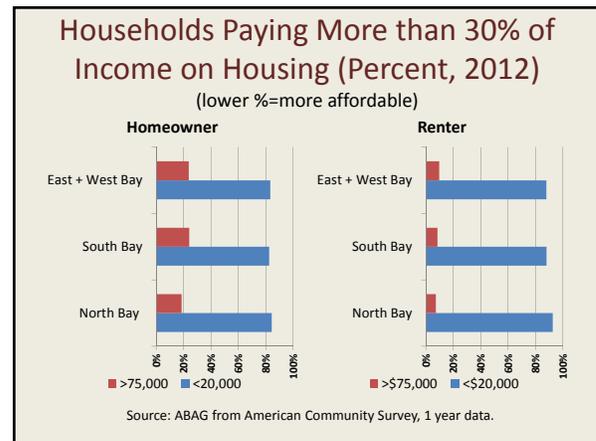
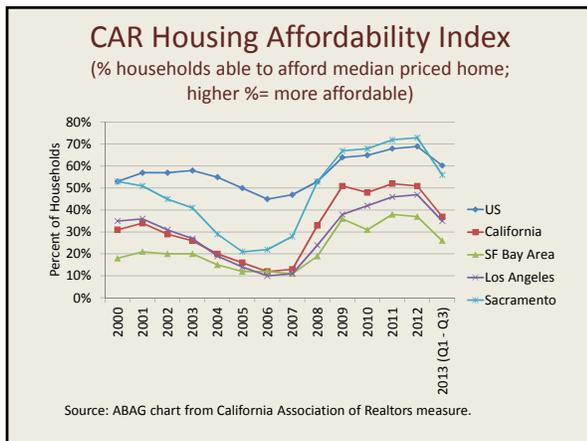
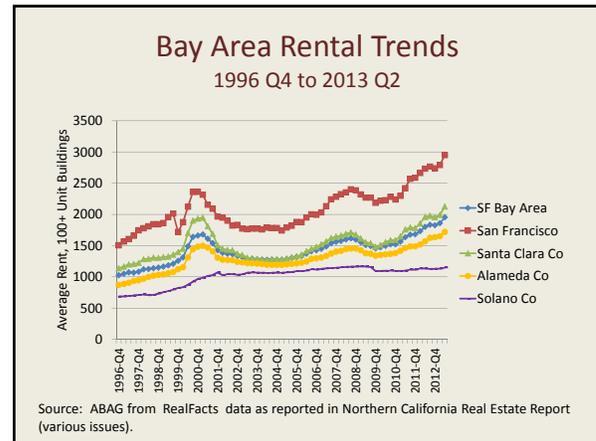
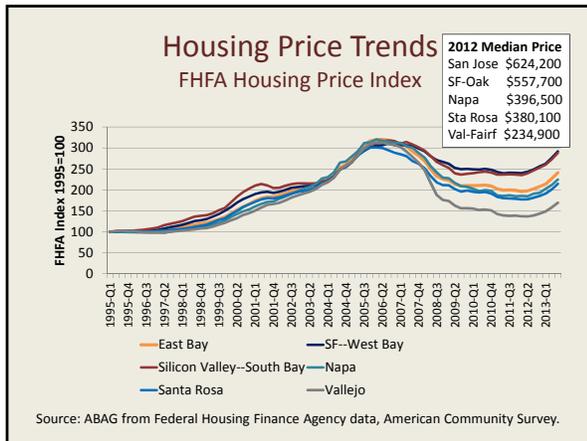


Source: ABAG from US Census, Small Area Income and Poverty Estimates.

Poverty Rates, Bay Area Counties 2003 and Post Great Recession

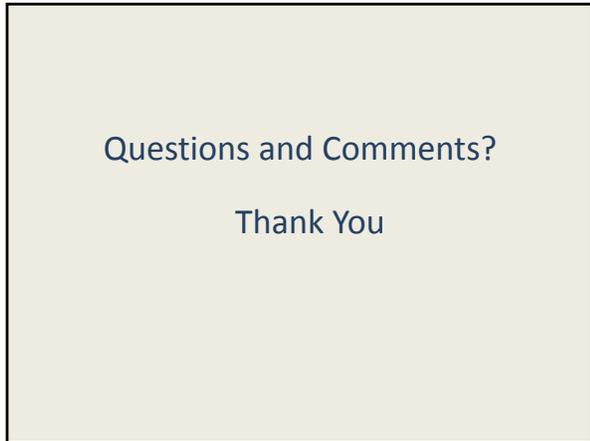


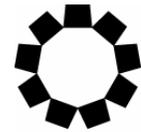
Source: ABAG from US Census, Small Area Income and Poverty Estimates.



Implications, Prospects, Issues

- Regional growth is strong, but we have not yet “recovered” all jobs lost after 2000.
- Growth driven by changing mix of sectors.
- Prosperity from new growth is spreading unevenly, raising new challenges.
- Housing *affordability* is sensitive to amount of housing, the price level, and income levels.





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.

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

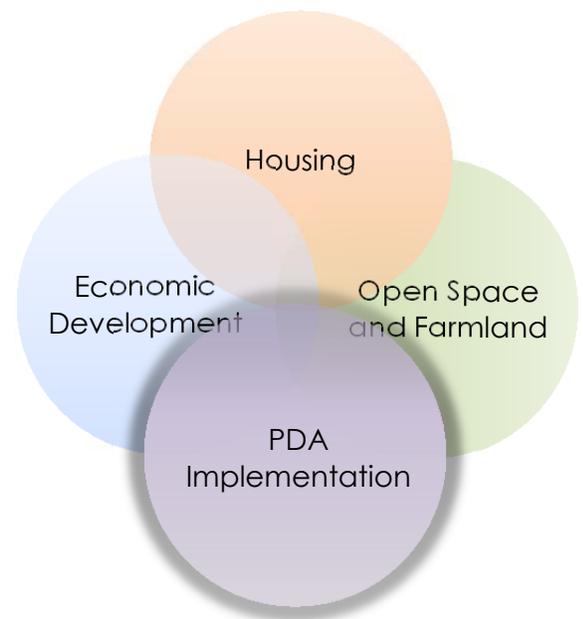


Figure 2. PDA Geographic Clusters

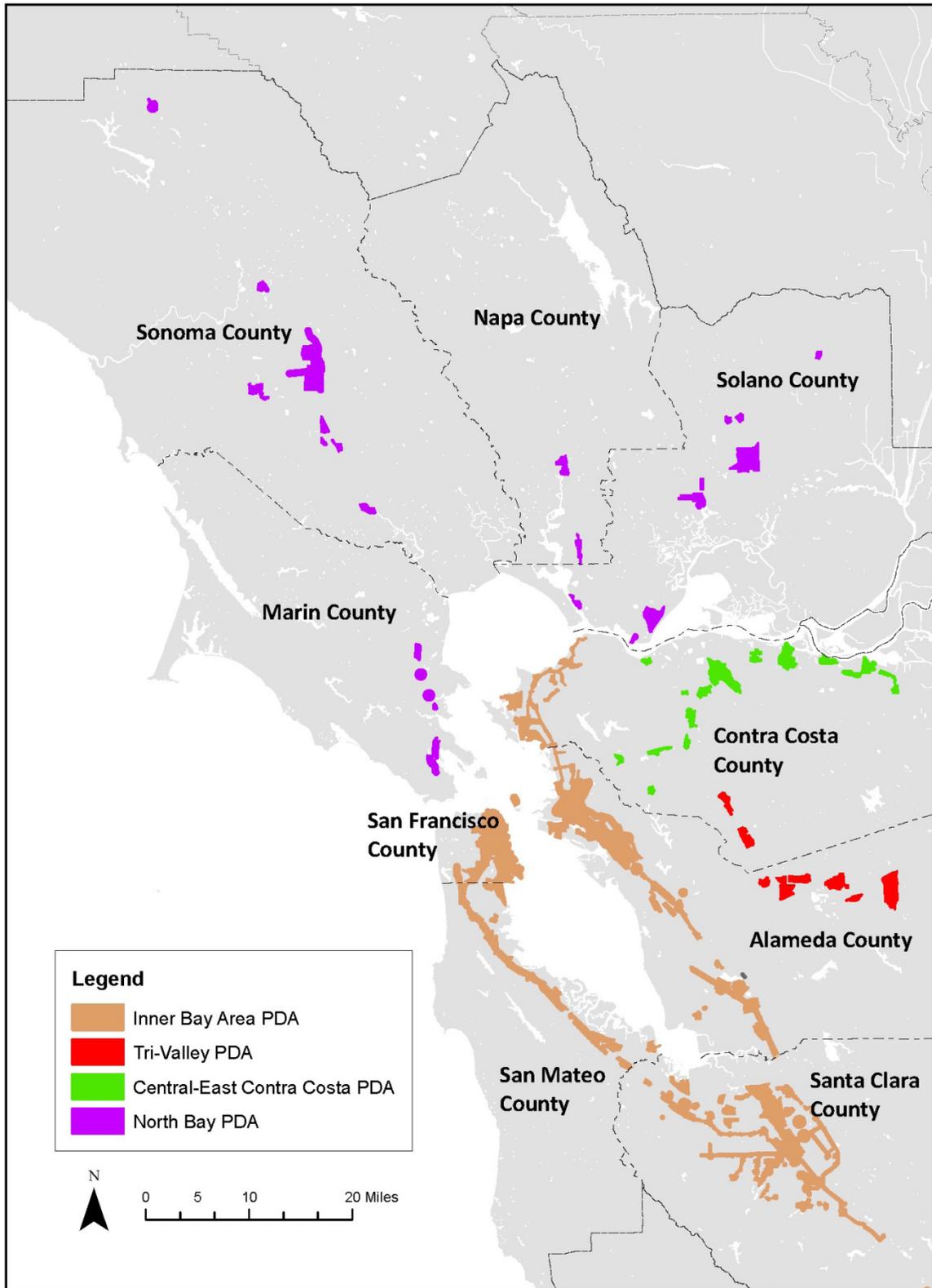
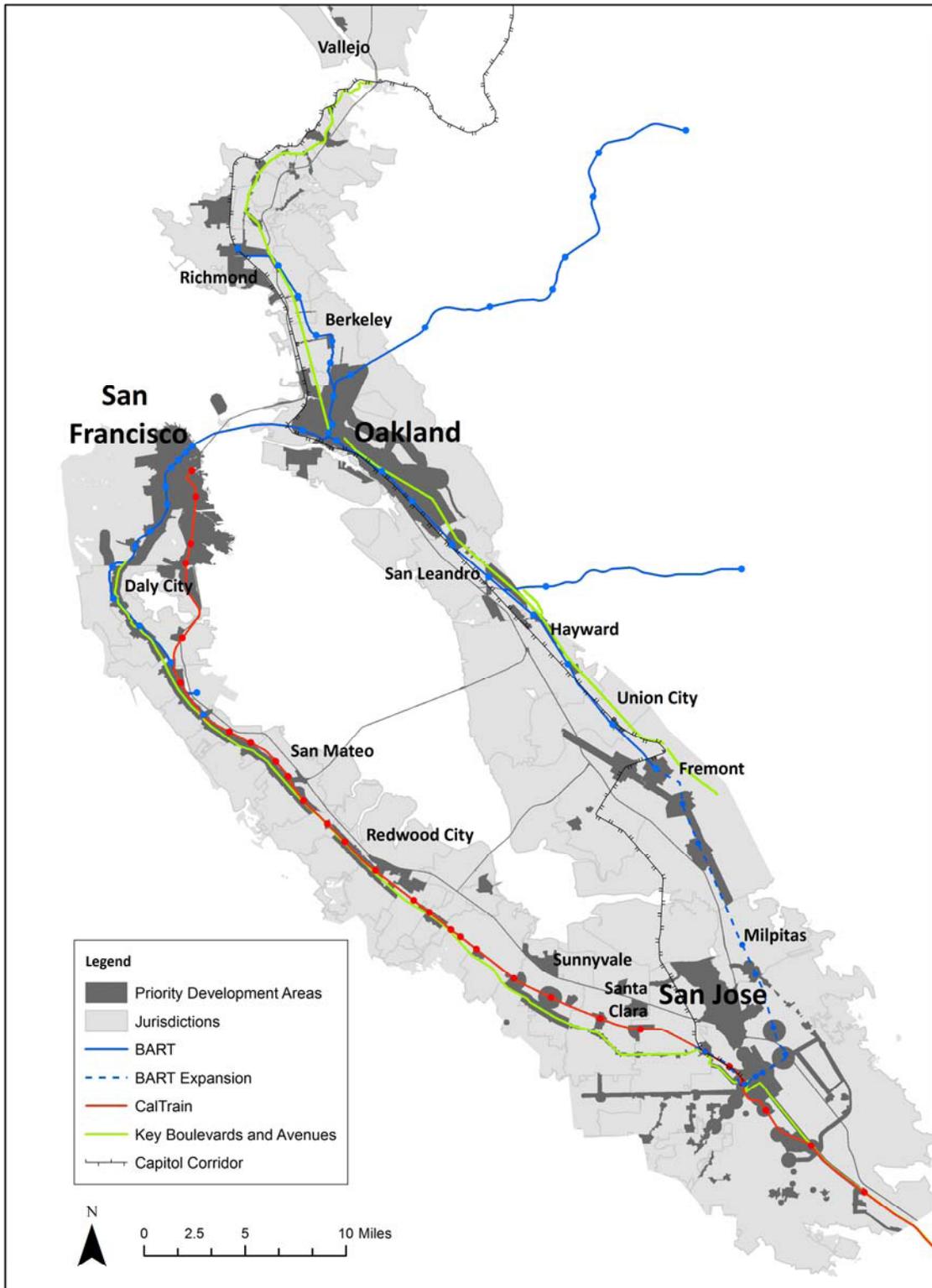


Figure 3. Inner Bay Area Corridor PDAs



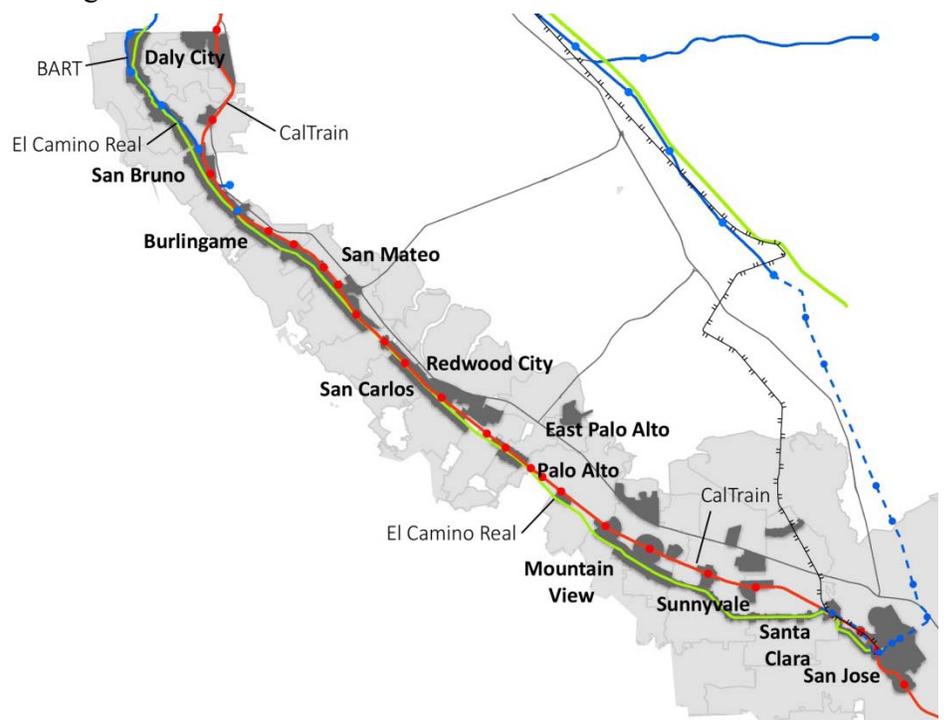
2. PDA Implementation: Inner Bay Area Corridors

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.

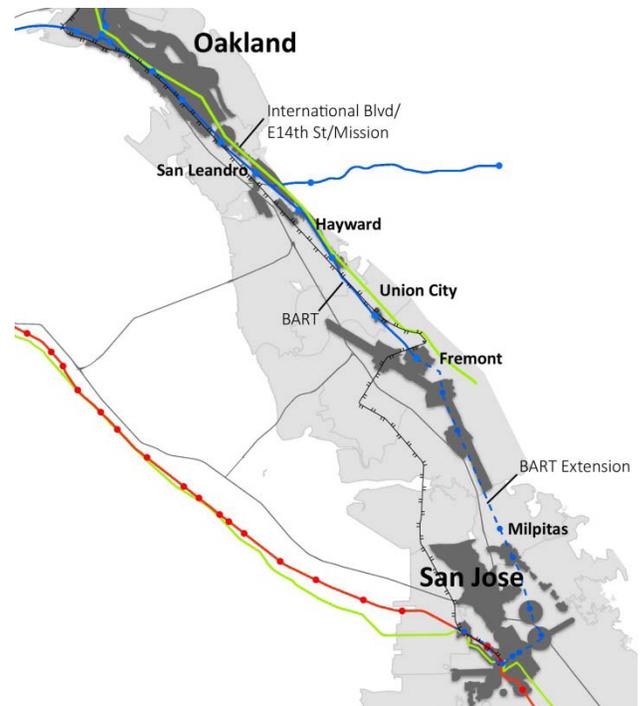
The **San Pablo Corridor**: PDAs extending from Downtown Oakland through West Contra Costa County to Vallejo. The corridor's PDAs are connected by BART and by San Pablo Avenue, which forms a continuous spine from Oakland to Hercules. In addition to Oakland's Regional Center, the corridor includes the 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.

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

Figure 5. **San Pablo Corridor PDAs**



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

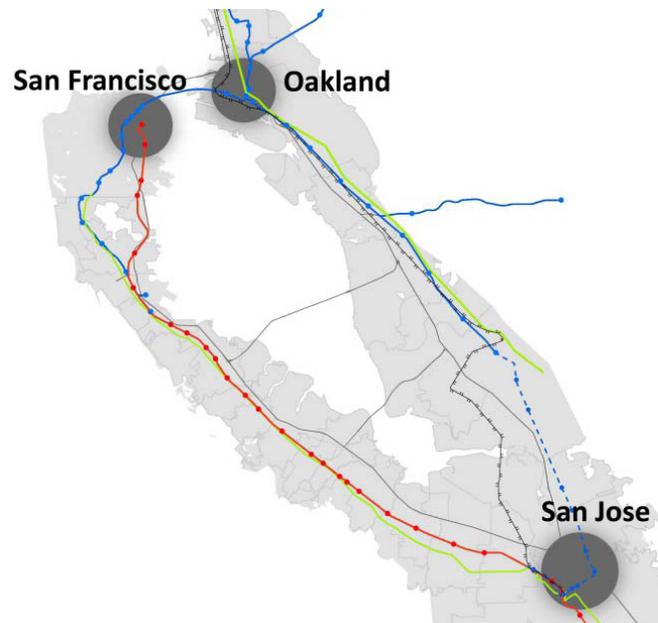


¹ The levels of regional growth indicated for both the Grand Boulevard and San José-Oakland corridors both include Downtown San José; the levels for San José-Oakland and San Pablo both include Downtown Oakland. Together, the three corridors are projected to account for nearly 2/3 of the region's housing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

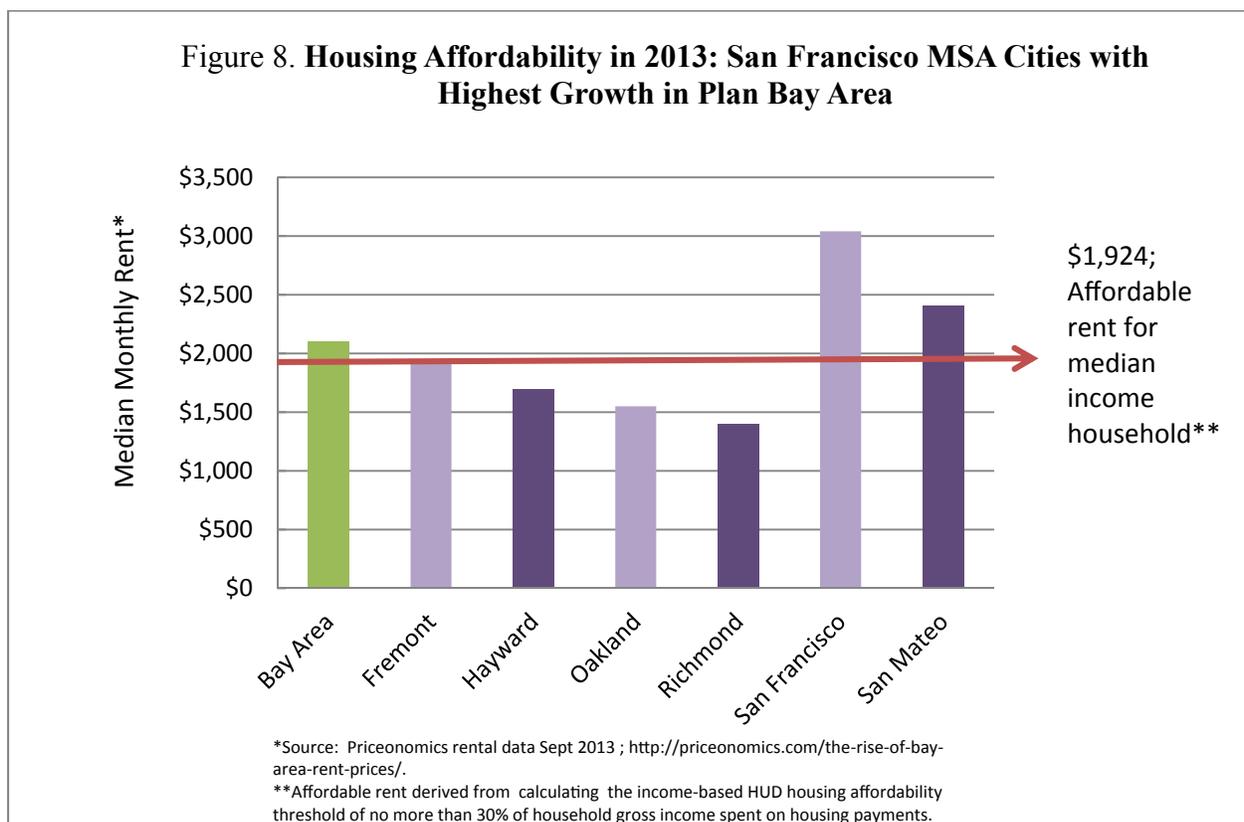
Capacity to Address Affordability Gap Decreases as Housing Costs Increase

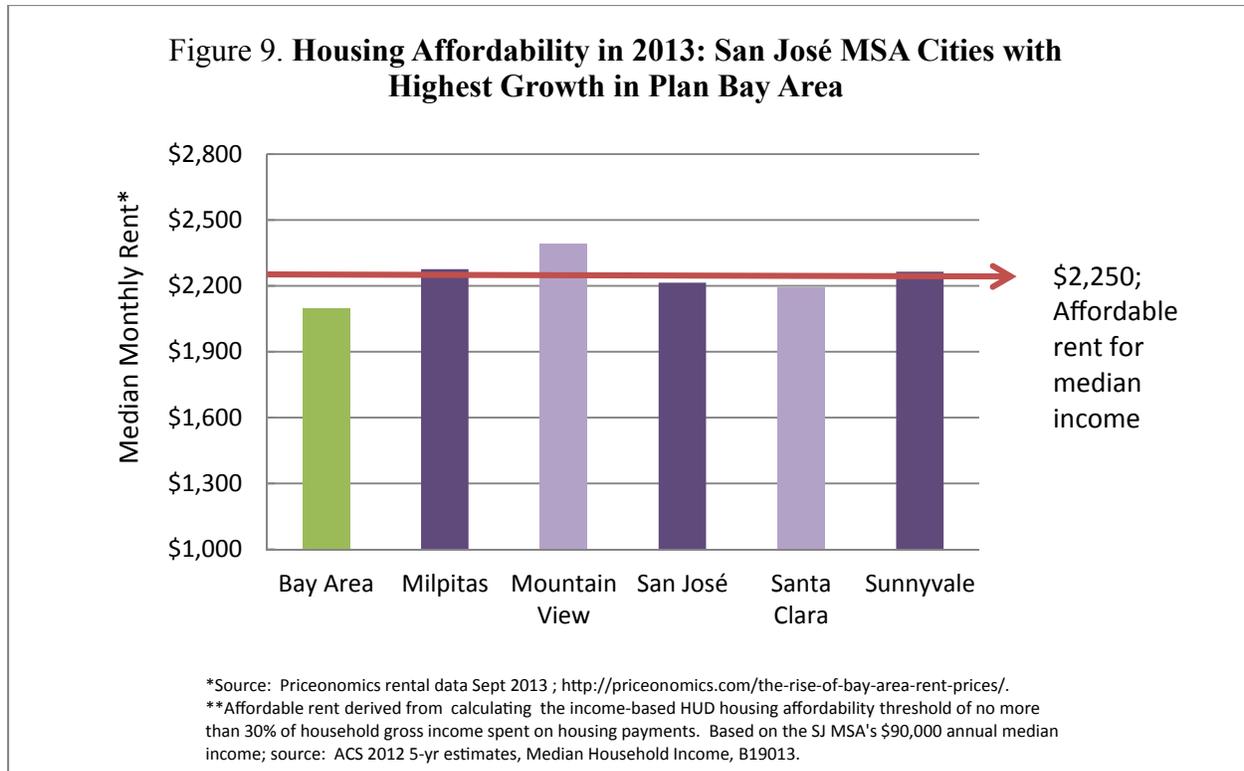
With the dissolution of redevelopment and questions regarding the legality of inclusionary zoning, production of affordable housing is declining in most Bay Area jurisdictions. Affordable

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.

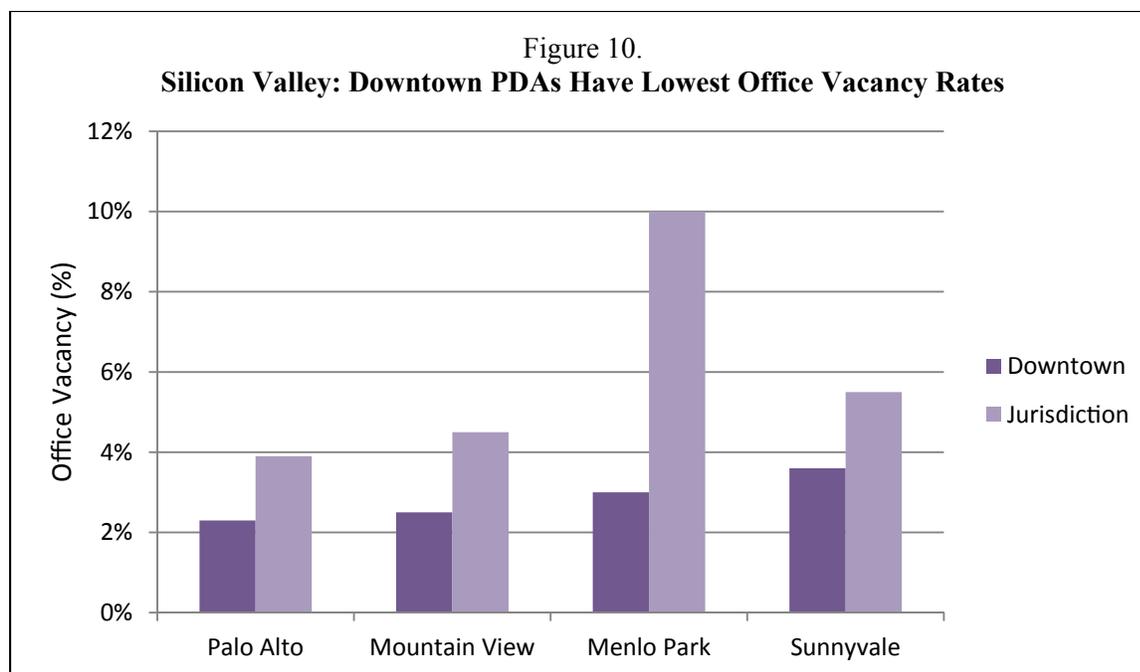
This reduction in capacity to address affordability comes at a time when rents remain affordable to median income households in pockets of the Inner Bay Area, but are increasingly unaffordable in locations with the highest levels of job access and private investment, as shown in figures 8 and 9.





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.



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.