ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

ABAG

Date: June 3, 2015

To: Regional Planning Committee

From: Miriam Chion, Planning and Research Director
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Subject: **Priority Industrial Area Concept**

A. Introduction

Staff is proposing that the RPC consider studying the concept of "Priority Industrial Areas" for inclusion in the next *Plan Bay Area*. Priority Industrial Areas could help ensure the long term viability for thousands of vital businesses that support our local residents in terms of both services and employment opportunities, and thus strengthen and diversify our economy. They support high-growth industries, tend to pay better wages for less skilled workers, and when located in central locations, may decrease overall vehicle miles traveled and costs to consumers. By explicitly acknowledging places for employment as part of the regional planning framework Priority Industrial Areas would also complement PDAs and PCAs, and cities have requested greater regional coordination to ensure enough land is available for housing and other critical uses that support the regional economy.

This memo first discusses the value and vitality of industrial areas. Next, it reviews both *why* Priority Industrial Areas might be needed and *how* we might study them. It then concludes with a draft schedule and action item to allow staff to evaluate a Priority Industrial Area program.

B. Why Are Industrial Areas Valuable?

The region's industrial areas are home to thousands of businesses providing a wide range of products and services that support all aspects of our economy. These businesses include production-oriented "maker" and artisanal goods firms that gain productivity benefits from clustering near their customers and whose exports bring wealth to the region. These businesses also include our distributors, whose location near major trading ports and city centers provides access to key local markets and helps ensure the efficient movement and lower price of goods for local consumers (Hausrath Economics Group and Cambridge Systematics 2008). Finally, these business include those that provide repair and rehabilitation

services for the local residential population (like auto repair) or to other businesses that cannot be "off-shored."

Retaining these industries in central locations has positive economic impacts. These businesses provide tens of thousands of jobs and billions in tax revenue for local jurisdictions. For example, 32% of jobs in the region are involved in the flow of over $600 billion worth of goods annually. A high percentage of jobs located on industrial land and involved in production and distribution are available to the 57% of Bay Area residents without a four-year college degree.[1] These jobs pay up to twice as much as those in the service sector that also employs a high percentage of people without a four-year college degree.

Retaining these industries in central locations has positive environmental impacts. Seventy percent (70%) of goods movement industries support local residents – meaning they are moving within the region. If these businesses had to move outside the region, it would significantly increase vehicle miles traveled from trucks, increasing carbon emissions and road congestion from both the goods movement, and the movement of workers to reach those jobs.

C. Why Might Priority Industrial Areas Be Necessary?

Our region's industrial businesses need centrally located space that is stable and affordable. The amount of land in the Bay Area is limited for housing and other critical uses that support the regional economy. Some vital firms on industrial land may be more compatible with other uses, but may not be able to afford to compete on rent with office, housing or large-volume retail, or build new space that meets their space requirements. This is particularly the case for small firms that represent the majority of business growth and employment. Advanced manufacturing, green-tech and other "businesses of tomorrow," may be able to better compete on rent with other uses, but they require dedicated space to function in close proximity to similar firms to gain the productivity benefits of an industrial cluster. Goods movement and related activities are an integral part of the region's economy, yet they may require separation from other uses because they may impact public health and quality-of-life in nearby neighborhoods. Goods movement industries are also heavily reliant on the transportation system including ports, airports, rail, highways, major corridors, and local streets and roads.

Local jurisdictions have requested more regional coordination of industrial land preservation efforts. For example, at the April 1, 2015 RPC hearing, the committee heard about the need to better preserve Contra Costa County's Northern Waterfront, a 50 square

[1] 2013 Five-Year ACS estimate, US Census Bureau.

mile area, is vital to Contra Costa's economy, contains 60 percent of the county's industrially zoned land and 26,000 jobs, 7,300 of which are in the manufacturing sector that generates $9.3 billion in economic output. At that same hearing, the committee heard about efforts in San Francisco to protect industrial land, and how a regional industrial strategy is critical for the wellbeing of San Francisco's industrial sector (which employs about 10% of the city's 600,000 jobs).

D. How Could We Evaluate Priority Industrial Areas?

Priority Industrial Areas could be developed similarly to how we developed Priority Development Areas and Priority Conservation Areas. PDAs and PCAs are an integral part of *Plan Bay Area,* working together to support local communities in an integrated land use and transportation plan for the region. Based on the definition of PDAs and PCAs, Priority Industrial Areas could be defined as "places of local or regional significance that are nominated by local jurisdictions, have broad community support, and support vital businesses and jobs. These areas should support infrastructure investments and other area improvements to foster innovation and collaboration among business clusters to strengthen existing firms and attract new ones, support the leading industries within the region, and should provide important economic and employment diversity."

Based on this conceptual definition we could consider three criteria:

1. **Like PDAs and PCAs, Priority Industrial Areas should be locally nominated.** Local jurisdictions would assess the role of their industrial businesses and land in identifying Priority Industrial Areas.
2. **A Priority Industrial Area should recognize the value of critical industrially zoned land that provides clear benefits to the local and regional economy.** The existing industrial zoning should support the retention and expansion of existing businesses while accommodating new, particularly small, firms that provide the most jobs.
3. **Priority Industrial Areas should be linked to essential clusters of industrial activities.** Firms in these areas should contribute to the local, regional, national or global economy and connect to the goods movement and other industrial networks.

Priority Industrial Areas should be based on extensive study and analysis. To inform the concept of Priority Industrial Areas, understand the needs of firms on industrial land, *and better understand the potential tradeoffs involved as land is needed for other critical uses like housing*, a joint partnership between UC Berkeley, ABAG and MTC is developing an Industrial Land and Jobs Study. This study will complement the ongoing MTC / ACTC Goods Movement Study. As findings from the Industrial Land & Jobs and Goods Movement studies become

available, staff will further develop Priority Industrial Area criteria and bring this information to the RPC for discussion. Staff will also review approaches from other regions that might inform a Priority Industrial Area program. Once we have more information we can consider adopting a Priority Industrial Area program and further refine the criteria.

The upcoming findings and analysis from the Industrial Land & Jobs and Goods Movement studies are anticipated to provide the following:

- Analysis of the function of and demand for industrial land in the economy of today and tomorrow
- The current supply and location of industrial land, and creating a typology of businesses located on industrial land that includes their projected growth trends and location
- Analysis of the economic, employment and transportation impacts of land conversion on job quality and accessibility, other industry sectors, and vehicle miles traveled
- An estimate of the future need for industrially zoned land, and as needed, strategies for retaining this land to support the policy and planning approaches under development by MTC to support sustainable goods movement in the region
- Employment characteristics of area industries such as median wage paid, opportunities for advancement, and available transportation options for workers
- Strategies to support the efficient movement of goods within and outside the region

E. Draft Schedule

- June 2015: Discussion of Priority Industrial Areas Concept
- December 2015: Industrial Land & Jobs and Goods Movement Study Findings
- Spring 2016: Coordination with Local Jurisdictions and Other Efforts
- Fall 2016: Draft Priority Industrial Area Guidelines to the RPC and Executive Board

F. Action

Continue to evaluate a Priority Industrial Area program for potential adoption next year according to the schedule above.

<u>Attachments</u>
Attachment 1: Links to local and sub-regional efforts to support industrial land and businesses

Attachment 1

Links to local and sub-regional efforts to support industrial land and businesses

Design Build It Ship It
http://designitbuilditshipit.com/about/

East Bay Green Corridor
http://ebgreencorridor.org/start.php

SF Made
http://www.sfmade.org/

Northern Waterfront FAQ Sheet
http://www.cccounty.us/DocumentCenter/View/35676

Industrial Land and Job Study – Summary Scope of Work
http://abag.ca.gov/planning/economic.html#industrial

Regional Goods Movement Plan Update - Preliminary Findings
http://apps.mtc.ca.gov/meeting_packet_documents/agenda_2341/5_Freight_Memo_and_PowerPoint.pdf

Economic Prosperity Strategy
http://www.spur.org/publications/spur-report/2014-10-01/economic-prosperity-strategy

***Urban Manufacturing Alliance**
http://prattcenter.net/projects/urban-manufacturing/urban-manufacturing-alliance-uma
**The Urban Manufacturing Alliance co-founded in 2011 by the Pratt Center, is a collaboration of more than 20 major US cities and Toronto and Montreal in Canada working to develop their respective urban manufacturing clusters. California members include Emeryville, Fremont, Hayward, Los Angeles, Oakland, San Francisco, San Jose, San Leandro, San Ramon and Union City.*