



**Date:** January 15, 2003  
**To:** Inter-Regional Partnership  
**From:** IRP Staff  
**RE:** Interim Report

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**Background**

The IRP has a contractual agreement with the State to provide a report, which evaluates the Jobs/Housing Opportunity Zones. As a result of recent state budget trends, it is obvious that the Zones will not have incentives readily available. Additionally, the short timeline (four years) imposed upon the project completion makes it difficult to show actual improvement in jobs/housing balance improvement as a result of development. It is anticipated that little development will have occurred by the time that the project is complete.

The IRP has asked staff to prepare a draft report to the state which outlines accomplishments of the IRP to date, as well as the roadblocks to actual implementation of the project as originally devised. The intent of the report is to provide a basis for discussion with the state. This may eventually lead to a better understanding by the state of what incentives are needed, and the potential for an extended timeframe within which to evaluate the zones.

The draft interim report is attached for review.

# Inter-Regional Partnership Interim Report

## Background

The IRP has prepared this Interim Report on the progress of the Inter-Regional State Pilot Project to provide insight and a summary of the Inter-Regional Partnership's (IRP's) activities to date. It provides a brief overview of the accomplishments of the IRP to date, as well as identifies specific roadblocks to overcome in the future.

The IRP has created a groundbreaking program, enjoying State sponsored support and funding, that may set a pattern of development that can help to improve jobs/housing balance within the IRP study area as well as similar areas throughout the state. This experimental process has a sunset date of July 31, 2004. It has spawned the development of other IRPs throughout the State, each of which is addressing jobs/housing balance in their own way.

This original IRP State Pilot Project differs from other IRP projects throughout the State. It has a defined structure, a series of goals that must be met by law, and an anticipated set of outcomes.

## IRP Pilot Project Major Accomplishments

The IRP has met many of the goals set in legislation, including:

- Designating 10 jobs/housing opportunity zones in the IRP region.
- Identifying incentives that can be used to affect measurable change in jobs/housing balance within the IRP study area.
- Garnering local support for the Zones and incentives.
- Developing and introducing legislation that would create such incentives. (Ongoing)

The two focal points of this work have been the identification and creation of the Zones, and the identification of specific incentives to support development of the zones; all this with the intent of impacting jobs/housing relationships between the Central Valley and the Bay Area.

### The Zones

The Inter-Regional Partnership has designated ten Jobs/Housing Opportunity Zones in the participating IRP counties. Two Zones each are located in the counties of Contra Costa, San Joaquin and Stanislaus, three in Alameda County, and one Zone is located in Santa Clara County.

Each of these Zones has a unique character that reflects its relationship to other areas in the region. Thus, each Zone supplies jobs and/or housing as appropriate to both the local need for each, and a greater inter-regional need. The inter-regional need can be defined as the highest and best use of the identified zone as it compares to the inter-regional jobs/housing balance.

The intent of the Zones is to positively and measurably impact the jobs/housing balance so that inter-regional commuting is at least held constant over time, and at best reduced significantly.

### The Incentives

It is hoped that by July 31, 2004, each Zone will have had the opportunity to take advantage of a wide variety of special incentives that will contribute to the success of individual development projects and, in turn, the effort to improve the inter-regional jobs-housing imbalance. The individual development projects will result in housing being built where there is an existing shortage of residential units and jobs will have been created where primarily housing exists. The key to making these Zones successful, however, is the incentives.

The Inter-Regional Partnership is seeking the state's assistance in bringing customized, unique incentives to the Jobs/Housing Opportunity Zones. Incentives that will pave the way include:

- Childcare Tax Credits
- Industrial Development Bonds Priority
- Multi-Family Housing Tax Credits
- Targeted Tax Area Status
- Tax Increment Financing

This list represents only a few of the ideas brought to the IRP for consideration, but reflect the best of those ideas, which the IRP believes has the potential to favorably impact the regional imbalance of jobs and housing.

Specific language for these incentives was drafted and presented to the State Legislature in the form of AB499 (2002). This bill was not well received and concerns were raised that the incentives were created to serve only the IRP Zones. It was felt that these incentives were too specifically defined to impact only the IRP Zones.

### Roadblocks

The IRP is searching for opportunities to implement local initiatives in the form of reduced development and infrastructure fees, regional incentives through transportation funds, and State leveraged funds that can be brought to bear on the jobs/housing balance issue. This was intended, and through State law sanctioned, as a pilot approach to test the jobs/housing balance theory. The IRP and its Pilot Project are the first attempt, statewide, to effect jobs/housing balance through a focussed and well-researched approach.

The fundamental roadblock to both housing development in the Bay Area and job attraction and retention in the Central Valley are the market and often political forces, as reflected in the cost of development. Any realistic approach to effecting the placement and development of jobs and housing in the appropriate places needs to be created to offset these forces.

It is imperative that the State provides support in a partnership to develop incentives and to implement them through legislation or modifications to State programs. Some of the programs that may be considered for change by the State include:

- Change criteria for distribution of funds through the CDLAC and CTAC programs, as well as housing programs administered through HCD, to specifically address an inter-regional jobs/housing imbalance.
- Allow Jobs/Housing Opportunity Zones to access funding for infrastructure improvement, such as through focused use of tax increment financing.
- Give preference in all state funding programs to inter-regional partnership sponsored projects that address jobs/housing imbalances.