

PLAN BAY AREA NEEDS A FRESH START

ABSTRACT:

The current Plan Bay Area 2040 has led us to disaster. We need a clear acknowledgement of the problems it has created and a clear pathway defined to lead us to an outcome that can benefit all.

Plan Bay Area is important—it provides jobs and housing projections for the region as a whole and for every city within the region. The numbers guide state and regional spending on transportation and housing. These projections are used by city planning staffs, virtually all the consultants who work for the cities, by academics doing their own analysis and forecasting, by the media and by state politicians. There is only one chance in every eight years to correct the numbers in this Plan and now is that time.

What problems are embedded in the current Plan? The current Plan is based on an aggressive jobs-driven model that emphasizes jobs-rich areas as the centers of priority development areas. This has led to disaster. Over the first seven years covered by the current Plan (2010-2017) we have had high concentrations of job growth in the West Bay, astoundingly high housing prices, a huge jump in long distance commuting, higher levels of congestion, transit overload, a jump in income inequality, a growing tax burden on residents, sustainability challenges and a deep threat to local democracy.

We need to define a more open and inclusive development process that clearly identifies our current problems and offers opportunity for a full public discussion of a new more effective Plan Bay Area.

Plan Bay Area 2040 has sought to build a regional growth framework that concentrates growth in a variety of jobs-rich priority development areas scattered in urban centers around the Bay. But, in practice, growth has focused on a single narrow segment, the West Bay. This concentration has produced huge imbalances in jobs and housing, high levels of congestion, extremely high housing costs, growing inequality in household incomes, an overloaded transit system, an inadequate infrastructure, challenges to sustainability and undermined confidence in local democracy. The current legally required update of that Plan (Plan Bay Area 2050) offers a unique opportunity to regain control over our future. But it must start with a recognition of the extent of our problems today and an effective way of encouraging citizen engagement in a more realistic Plan Bay Area 2050.

WHAT ARE THE MANIFESTATIONS OF OUR PROBLEMS TODAY?

Plan Bay Area is currently based on a jobs-driven model. It starts with a regional growth framework that seeks to concentrate growth in jobs-rich priority development areas.¹ It has asserted that a rapid growth of new jobs would be spread in urban centers around the Bay Area while an effective transit system could make job centers flourish. Through the first seven years of the Plan, the result has been quite the opposite: very rapid job growth has been concentrated in a fairly narrow band of West Bay cities. (The West Bay includes the city of San Francisco, all the San Mateo County cities east of Highway 280 and the five cities in Northern Santa Clara County that have been associated with Silicon Valley--Palo Alto, Mountain View, Sunnyvale, Santa Clara and Cupertino).

The original intention of Plan Bay Area was to concentrate job growth in the three big cities of the Bay Area—San Francisco, San Jose and Oakland. While San Francisco and the neighboring Silicon Valley cities would be the fastest growing job center, together San Jose and Oakland would account for about 75% of the number of new jobs each year. In practice, San Francisco and the neighboring Silicon Valley jobs have created over six times the number of jobs over the first seven years of the Plan (Table 1).

Table 1
The Plan hasn't worked
(average annual job growth)

	Projected (2010-2040)	Actual (2010-2017)
SF + SV	10,113	30,969
Oakland/San Jose	7,755	5,044

Source: Plan Bay Area: Strategy for a Sustainable Future (July 2013), 'Employment Growth by Jurisdiction'; and Census Bureau, ACS Factfinder, Advanced search on B08601 and DP03).

¹ ABAG resolution 02-19.

In actuality, over the seven years from 2010 to 2017 San Francisco and the cities of the West Bay have created about two and a half times the number of new jobs compared to the rest of the whole Bay Area. (Table 2).

Table 2

New jobs created and new employed residents added: 2010-2017
(in thousands)

	New jobs	New Employed Residents	Ratio Jobs/Emp Res
San Francisco	120	60	
Five Silicon Valley cities	88	30	
San Mateo cities east of 280	<u>44</u>	<u>32</u>	
West Bay Total	252	122	2.1:1
Rest of Santa Clara Co	59	94	
Rest of San Mateo Co	2	12	
Alameda Co	23	110	
Contra Cost Co	19	53	
Marin Co	<u>3</u>	<u>5</u>	
Rest of Bay Area Total	107	274	0.4:1

(Census Bureau, ACS Factfinder, Advanced search on B08601 and DP03)

This huge imbalance in job growth has created severe problems throughout the Bay Area. The rapid job growth in a relatively constrained strip of ground bounded by mountains on one side and the Bay on the other has resulted in severe problems: land and housing costs are the highest in the country, congestion is escalating, there are disturbing inequalities in incomes, family workers are commuting longer distances, overloaded regional transit systems need major upgrades, commute times are increasing, we are facing new challenges in our ability to create a sustainable future and the functioning of local democracy is under challenge.

TEN CHALLENGES THAT MUST BE ADDRESSED

There are at least ten major societal problems that flow from the increased congestion engendered by the serious imbalances we have identified:

* *LAND PRICES.*

The rapid expansion in business growth in jobs-rich areas has driven up the cost of land and the share of land costs in total housing prices. A Federal Reserve study has tracked land cost escalation in 46 metro areas around the country. They found that in the 46 metro areas, land's share of home value accounted for 51% of total market value of home prices. The highest share was in the San Francisco metro area with over 88% of the market value of a home was accounted

for by land. The San Jose metro area was a close second with 82%. In general the cities in California were well ahead of the rest of the country in land price share.²

*** HOUSING PRICES.**

Home prices in San Francisco and in the San Jose Metro area are now the highest in the country. The same is true of rental rates for apartments (Table 3).

Table 3

The Bay Area has the most expensive housing in the Country
(Metro Areas)

	<u>Median Housing prices</u> (thousands of dollars)	<u>Monthly Rentals</u> (dollars/month)
San Francisco	955	3448
San Jose	1,230	3547
Los Angeles	652	2955
Seattle	491	2232
Boston	468	2391
New York	440	2419
Washington DC	407	2172
Austin	310	1700
Dallas	244	1641

Zillow, February 2019

Prices are especially high in the job-rich cities of the West Bay. But the rate of increase is just as high in the surrounding communities that feel the commuting effects from the centers of job growth (Table 4). The housing price impact has spread to every part of the Bay Area.

Table 4

Increase in housing prices throughout the Bay Area
(annual percent increase in median family home prices, 2010-2018)

The Core	
Silicon Valley 6	11.4
San Francisco	10.2

² Morris A. Davis and Michael G. Palumbo, Federal Reserve Board, Staff Paper 2006-25, Washington DC).

Surrounding communities	
San Jose	10.1
Milpitas	12.9
Fremont	10.3
Hayward	10.4
Oakland	12.9
Concord	10.4

Source: siliconvalleymls.com

**** INCOME INEQAULITY.***

Highly paid new workers are taking the existing housing that is being offered on the markets as well as the new housing being built. A recent study by Brookings showed that of all US Metro areas that San Francisco had the largest income gap between the 95th and 20th percentiles other than the New York area. While the San Jose Metro area income gap was slightly lower, it was growing at the second highest rate in the country in recent years (just behind Honolulu).³ A recent Census Bureau report noted that the income gap between the 90th and the 50th percentiles were growing at about the same rate as the gap between the highest and the lower income groups.⁴

**** CONGESTION.***

More people commuting longer distances have crowded local freeways on both sides of the Bay. The time spent in congested traffic conditions throughout the Bay Area has been growing almost 10% per year since 2010.⁵

**** TRANSIT OVERLOAD.***

The key to dealing with the growing number of commuters is to get them onto public transit. The two transit systems that serve commuters to the West Bay are BART and Caltrain. While transit ridership on these lines grew though the 1990s and 2000s, over the last three years, both BART and Caltrain have found their ridership leveling off and even dropping a bit from 2016 to 2018. The Santa Clara County transit system that services San Jose and the five Silicon Valley cities (VTA) has had a 14% fall in ridership over those three years.⁶ The costs of maintaining current service much less the planned expansion has escalated rapidly, making quick improvements slow and costly.

**** IMPACT ON FAMILIES.***

As we move toward greater densification, the issue has been brought up as to whether this would affect family living in the community. Denser apartments buildings near jobs serve workers well, but they are not ideal for families with children. Clearly San Francisco with its dense housing and nineteenth century transportation system is already an outlier. It has the lowest ratio of

³ Berube, Alan, "Income Inequality in cities and metro areas: An update" Brookings: Metropolitan Policy Program, 2016, Appendix X).

⁴ Glassman, Brian, U.S. census Bureau, "Income inequality among Regions and Metropolitan Statistical Areas: 2005 to 2015", SEHSD Working Paper Number: 2017-41).

⁵ *Horizons, Vital Signs* "Bay Area: Time spent in Congestion")

⁶ BART, Caltrain and VTA operating statistics.

children between the ages of five and seventeen as a share of the total population of any city in the country—just under the ratio of other dense cities like New York and Boston. But there are troubling signs of changes in other cities in the West Bay. The share of the population in early elementary school has fallen from between 5% and 10% in Cupertino, Palo Alto and Sunnyvale over the period 2015 to 2019 among the other job-rich cities in the West Bay. A neighboring city of East Palo Alto has seen a drop of over a quarter in the share of the population in elementary school.⁷

*** TAX BURDEN ON RESIDENTS.**

Rapid growth in jobs and workers leads to dramatic increases in infrastructure costs. This includes a wide range of items from worker housing, transit improvements, offsetting increased congestion, improved roadways, police, health responses, schools and recreation facilities. The vast majority of funding is paid by residents, not by businesses. Residents pay through higher property taxes, parcel taxes, sales taxes, and gas taxes. Most of these are regressive taxes with middle and lower income people paying a larger share of their income for taxes. For example, the base tax for all local government (cities, counties, schools, community colleges) is the Property Tax. In the mid-1980s, commercial properties and residences in Santa Clara County paid roughly the same share of the property tax. In 2018 despite the rapid growth in new jobs in the country residents paid 62% and commercial properties 38%.⁸ Furthermore, at least three quarters of all new transportation funds for the Bay Area come from local and regional sources that fall on individual residents such as gas taxes, sales taxes, parcel taxes and property taxes.⁹

*** DON'T KILL SILICON VALLEY**

Silicon Valley emerged as a dynamic center of tech innovation partially because of its unique features of mobility both of talented workers and ideas flowing easily from place to place. Historical observers have pointed to two unique features of the Valley that were critical to its success: a very high rate of people moving jobs and the lack of large dominant firms that could capture new ideas as they emerged.¹⁰ The emergence of very large companies and the densification jobs within the Valley is challenging the traditional mobility of workers and ideas that lie at the culture of the region. In 2015 an anti-trust case was resolved that stopped an agreement among several three large Silicon Valley firms agree that they would not hire workers from each other.

*** SUSTAINABLE GROWTH GOALS.**

With the dramatic increase in commuters coming into the job-rich West Bay, the number of cars on the road, the distance traveled and the longer time spent in congested traffic all mean that the GHG rise. It is essential that we get an effective transportation system that will minimize the pollution but it is hard to deal with our current problems when we keep adding longer-distance commuters. In fact, the latest ACS data indicated that younger workers are buying cars at the same rate as the previous generation did. In addition, an increasing share of workers with

⁷ Data taken from California Department of Education, School Profiles, and California Department of Finance, E-5. Population Estimates for Cities and Counties, 2011-2019.

⁸ Santa Clara County, County Assessors 2018-2019 Annual Report, page 14.

⁹ MTC, Plan Bay Area 2040, Draft EIR, April 17, 2017, p 1.2-13.

¹⁰ Annalee Saxenian, "Regional Advantage: Culture and Competition in Silicon Valley and Route 128", Harvard University Press, 1994 and Martin Kenney, ed. "Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region", Stanford University Press, 2000).

families will continue to live in suburban communities. Further the needs of the growing number of office buildings and new worker housing (especially those with families) means that California's chronic water shortages will be exacerbated in the Bay Area as changes in climate impact the limited sources of water that the Bay Area depends upon.

**** THE FUTURE OF LOCAL DEMOCRACY.***

The greatest threat of all is the increasing pressure to usurp local government control over zoning. While regional cooperation on creating healthy balances between new jobs and housing is essential, this should be done through working together, not from having regional solutions imposed by non-elective agencies. This destroys the very essence of local government—the ability of individuals to participate directly in decisions that affect the daily family life of their communities.

LET'S MAKE SURE THAT PLAN BAY AREA 2050 WORKS

Plan Bay Area 2040 has not been effective in preparing us to deal with today's overriding issues of jobs and housing. In fact, it has completely missed the jobs/employed resident imbalances in the West Bay. Jobs are expanding there at three times the annual average projected in the Plan (and 35% less than projected in the major cities of San Jose and Oakland). This has had serious consequences for the whole region. Plan Bay Area must confront these mistakes and lead the discussion for better planning for our future. That process must start now but it has to confront the existing problems and offers pathways to resolving the most important issues. We suggest four key methodological steps for the upcoming planning process:

1. CONFRONT THE MOST IMPORTANT ISSUES UPFRONT

Outline and discuss the issues behind the current imbalances between the West Bay and the rest of the Bay Area. This is at the heart of today's biggest problems.

2. EXPLORE ALTERNATIVE TO JOBS-BASED MODELING

MTC/ABAG base their population and housing projections for each community in the Bay Area on a model that starts with an aggressive job projection. The original job projections were produced internally (based on their own consultants work, their own Technical Advisory Committee and their own self-appointed advisory groups). Once approved, they could not be lowered or even examined by subsequent CEQA processes. (Plan Bay Area 2040 is currently operating under a jobs growth number that was generated in 2013 and will continue in effect until 2022. During that time period, no lower job projection number could be considered (although a higher one can be).¹¹

The high job growth numbers in one specific jobs-rich area has been a key cause of the problems we discussed above. The process would be much improved by having a range of job growth options explored upfront both in the region as a whole and in key sub-regions, like the West Bay. This would allow the modeling process to compare impacts of a range of jobs and population

¹¹ MTC, Plan Bay Area 2040, Final EIR, July 10, 2017, Master Response #6, p 2-16.

projections for the region as a whole, as well as key sub-regions like the West Bay. It would also allow for the exploration of the impacts of alternative job growth projections on land costs, housing costs, congestion, income inequality, infrastructure needs and sustainability goals.

Develop a process that allows communities to explore job growth and housing growth together, exploring the consequences of a more moderate and balanced jobs and housing growth together and the impacts on their communities.

3. PROVIDE REALISTIC ALTERNATIVES FOR BALANCED GROWTH

MTC/ABAG have suggested several processes that would help tremendously in planning for Bay Area 2050. Their Horizon's Perspective Paper: The Future of Jobs (May 2019) identified a few Priority Strategies that would help. One was particularly suited to the problems of the West Bay. It was Priority Strategy L3: "Office Development Limits in Jobs-Rich Communities". This strategy analyzed the impact of an office space cap in Two Bay Area cities. It concluded that the use of such initiatives was limited because of their limited geographical coverage. The staff expanded the list to a group of eleven cities around the Bay that had jobs/housing ratio of over 2:1.¹²

But the entire West Bay qualifies as an area that is job rich, with a transit system that is at full capacity and difficult commutes over restricted bridges or limited or crowded north-south roadways. Between 2010 and 2017 this area added 250K jobs with half of them coming from outside the area using crowded commute corridors.

This has created the dilemma that there is no easy transit solution available. Denser housing is limited because the land cost in the fastest growing job centers is so high that developers will not build housing in mixed zone areas unless they are granted mandates to build even more offices than housing units. (Note a thousand square feet of office space can house between four to six workers while a similar space for housing would fit a single apartment with access and common spaces that would on average house 1.5 workers. The job space offers a higher return.)

This means that the clear pathway to future growth in this major jobs-rich area is through a moderate and balanced growth of both jobs and housing with a dynamic and adapting transit system that grapples with today's existing problems of imbalance and congestion. Clearly job limit discussions have to engage the whole of the jobs-rich area—in this case the West Bay.

This means that we have two new tasks in front of us: work carefully to craft incentives for a moderate growth balance of jobs and housing in the West Bay while at the same time create serious incentives for jobs to grow in San Jose, Oakland and the other parts of Santa Clara County, Alameda County and Contra Costa County. The incentives that MTC/ABAG have pushed to date (Priority Development Areas in jobs-rich areas) have not worked. We need to look at clear incentives to add jobs in cities like Oakland and San Jose and other mid-level cities on the East Side of the Bay.

¹² MTC, Regional Advisory Working Group, June 4, 2019, Agenda Item 3, Attachment B, page 2 of 17.

4. OPEN THE PROCESS TO NEW PLAYERS AND NEW VARIABLE

Job growth has an impact on each of the problem areas we discussed above. The only road to an effective planning process is to grapple with this complex set of interrelationships in the modeling process and that each of the key parties affected has a chance to observe those relationships. MTC/ABAG have introduced the notion of an iterative model.¹³ An effective model would look not just at the impacts of transit on housing but the impact of jobs on community life. By far, the biggest imbalance is on the jobs and employed resident side and any effective policy has to grapple with the consequences of shifting the jobs to housing ratio. But, of course, the way the model is currently set up, there can be no examination of alternative job growth numbers during the course of the RHNA period (2014-2022).¹⁴ Obviously the most effective way of lowering housing prices in the jobs-rich West Bay would be to lower the job growth number which is pushing up land and housing costs. A good effective reiterative model could explore how much housing prices and congestion might be affected if the jobs growth number was lowered in jobs-rich areas. Thus, a jobs cap or limit through the West Bay would be one effective way of dealing with the whole slew of problems that have cropped up over the last seven years.

The Regional Body involved (MTC/ABAG) has no direct authority over land use matters in the individual cities. But they do have substantial incentives that they could use to shift the site of new growth. They could provide affordable housing funds for those communities that fostered balanced jobs and housing growth. They could build transit systems that would provide effective service linking homes and jobs outside the West Bay. By limiting the growing number of long distance commuters, they would be providing the most effective way of cutting GHG and wasted time in congestion.

We need to be able to examine the consequences of critical decisions from each key variable and to an audience that includes all parties affected. Make this happen—get a Bay Area Plan that allows effective reiterative planning processes.

HELP THE BAY AREA PREPARE FOR THEIR FUTURE NOW.

OPEN THE PROCESS OF PLAN BAY AREA 2050!

¹³ MTC, Regional Advisory Working Group, June 2, 2019, Agenda Item 2, Draft Methodology, page 2-4 of 13.

¹⁴ MTC, Plan Bay Area 2040, Final EIR, July 10, 2017, Master Response #6, p 2-16.