

Chapter 10: The Bay Area Economy

We cannot tame the climate change monster while also increasing auto-dependent housing and its concomitant increases in fossil burning and population. Gross regional product (GRP) does not adequately measure sustainability. The path to sustainability requires that external costs be estimated and included in GRP so that GRP measures the whole economy, not just the money economy. Equally important, reformed prices should reflect external costs and provide incentives for more sustainable choices. Over time they can achieve dramatic reductions in greenhouse gases and dramatic increases in biodiversity.

Who is responsible for providing more housing?

Plan Bay Area 2050 by ABAG (the Association of Bay Area Governments) and MTC (the Metropolitan Transportation Commission) does not discuss housing responsibility.

Plan Bay Area assumes that all local governments should increase their housing supply regardless of their responsibility for the problem. The Plan ignores a major cause of the housing crisis, which is excessive concentrations of jobs without nearby housing and beyond the capacity of transportation infrastructure to deliver employees to work with minimal congestion. These costs are externalized to other localities, commuters, and the environment.

These concentrations exist because a few local governments make land use decisions increasing basic jobs without providing the needed housing. Basic jobs sell outside the region and drive growth; local-serving jobs serve local people and do not do so. The most important places doing this are San Francisco and Silicon Valley (Palo Alto, Mountain View, Sunnyvale, and Santa Clara). They are the major cause of the regional housing crisis, and they have done it with impunity.

The ability of these localities has created a crisis of sustainability. They benefit from imposing housing cost and congestion on the region and have no reason to stop. The most cost-effective way to reduce housing cost, reduce congestion, and achieve sustainability is to stop and to reverse these excess jobs.

Localities should not be required to provide housing for needs created by other jurisdictions. Localities that are not creating a problem do not have a responsibility to create more housing. ABAG's RHNA (Regional Housing needs Assessment) is irrational. A city should be able to control its own destiny, to achieve sustainably, and to stop the forces of mindless growth at its borders.

What responsibility do local governments have for providing housing?

If localities do not want more housing and did not create the problem and want to achieve sustainability, they should not let Plan Bay Area push them around.

A locality nevertheless does have some housing responsibilities. There are three rules to be sustainable: accommodate local population growth; do not have a job surplus that stresses the region; and provide housing for low-income workers in the locality and for a fair share of housing for its social needs population.

Housing: How much is enough? How many jobs? How many people?

How much housing is enough involves three questions, based on the three rules:

1. Does the City have employment in excess of employed residents and an inability to bring in workers without congestion?
2. Does the City have more natural population increase than it has housing for?
3. Can the City house its lower income workers who work in the city and its share of the high need, disadvantaged population?

If the answer to all three is “no,” there is no good reason to impose some housing growth requirement.

Is housing supply and demand market-based or distorted?

Is supply and demand solving the housing problem? From an economist point of view, yes. Market forces continue to work, because job growth is suppressed by high living costs, housing is increasing all the time, people are doubling up, people are leaving the region, and investors are investing elsewhere around the world because Bay Area costs are too high. Housing prices and congestion are choking off agglomeration economies, leading to international sub-centering. Agglomeration economies are the increased productivity of having many related businesses close to each other.

From a planning point of view, no, supply and demand are not solving the problem, but Plan BA is fundamentally flawed in seeing an increase in housing as a solution. The plan fails to acknowledge the underlying cause of the problem, excessive job increases in a few extreme job surplus locations which impose great externalities on the other localities, commuters, and the environment. More housing alone only subsidizes more unsustainable location externalities.

The market is distorted because of the power of the job-rich cities to create higher housing prices by increasing jobs and blocking the supply of housing needed for the workers. Regional policy makers are not willing to perceive this. Local policy makers see mandates they don't like bearing down upon them and are frustrated but lack coherent defenses.

Measuring Job surplus externality costs

Jobs that cost more than they benefit

The assumption that jobs are always good is wrong. Jobs in excessive concentration locations have housing and congestion costs that are higher than the value of the job. The GRP does not look at all economic values and thus does not measure the real cost.

Balance defined

The definition of balance for planning does not look at the general population, only at employed residents and jobs, and does not require equal numbers by location. Job housing balance is defined as enough housing close to work and enough transportation infrastructure to have housing prices comparable to average metros adjusted for income and to have limited congestion in commuting. This definition supports agglomeration economies of centers while avoiding external costs.

Housing costs

One way of measuring housing price market distortion is to compare Bay Area housing prices with other metros by looking at prices of physically comparable houses, usually measured in terms of square feet of living space. The comparison has to be adjusted for higher income in the Bay Area because a wealthier metro will naturally have the money to buy more house.

The estimate of the increase of housing prices with no increase in quality--a higher price for the same house—quantifies the lack of economic value in the price increase.

Congestion costs

Time lost in congestion is an external, non-monetized cost that can be quantified using MTC's computer network models that measure time lost in congestion. The monetary value of time (VOT) is established by San Diego's I-15 dynamic tolls. San Diego has the best data on willingness to pay (WIP)) for VOT. "The tolls varied between \$0.50 and \$4.00 per trip. During highest demand they could reach \$8.00 per trip." (Source:

https://ops.fhwa.dot.gov/congestionpricing/value_pricing/pubs_reports/projectreports/interst15_congestion.html)

New regional policy

With quantified costs, new regional regulations would prevent localities with job location externalities from approving more basic jobs and making them worse.

Transportation Pricing Reform: Internalizing external costs

This topic is discussed in another chapter. As for this chapter on economy, prices that internalize externalized costs give buyers appropriate signals about the cost of their choices and reduces the imposition of costs on other people and the environment. Some examples include cash-out, modern market parking charges, unbundling (unlinking car and living space costs), gas tax to cover gas costs, de-subsidizing fossil industries, carbon and pollution taxes, congestion charges, neighborhood parking permit management, eliminating parking requirements in zoning, location efficient mortgages (LEMs); and traffic calming (street narrowing, traffic humps). Revenue from pricing reforms can be used for cost-effectiveness investment in transportation infrastructure and transit. Dynamic (based on demand) bridge tolls and BART parking charges are steps in this direction.

Fiscal Reform: Zoning for dollars

Zoning for dollars refers to zoning to limit housing that costs localities more than its revenues and to over-zone for business that produce a revenue surplus. Fiscal zoning is a logical response to perverse incentives. Localities are all rolling the dice in the same casino and most are losers. Besides controlling excessive job concentrations, policy needs to reduce fiscal incentives by allocating revenues as if jurisdictional lines did not exist. We need revenue sharing based on geography. It is up to the leaders of losing localities to stop being coopted by the winners and to unrig the game they cannot win. Control over job externality costs and revenue sharing would create reasonable fiscal incentives. Cooperation based on rational analysis will work better.

Redefining GRP for a stable population and sustainability

Sprawl and auto dependency will be with us for a while; the challenge is to control job location externalities, redefine housing responsibility rationally to achieve sustainability, control externalities, and stop the RHNA nonsense. We need to evolve the urban system from suburbia to compact land use and sustainable transportation modes.

The research would estimate the monetary Gross Regional Product (GRP) and subtract congestion costs and the artificial increase in housing prices. Combined with other external costs like pollution, GHG, and extra depreciation due to congestion, I suspect the analysis would show that GRP is declining while mismeasurement by money claims it is going up.

Addendum: Planning for jobs/housing balance: the SPS

SPS is the Sustainability Plan Scenario, research from 2010 with numbers now out of date but a model for analysis that should be updated.

The numbers below use employed residents (ER) to look for balance with local total employment (TE). Using TE and ER makes it easy to see imbalances.

Land Use Projections and Targets

ABAG makes projections of ER and TE. The regional agencies look at this data to set targets for how much growth to plan for. ER and TE growth is assigned to geographic areas based on trends and land use. In 2000 ABAG projected the region would grow from **3,538,000** ER in 2000 to **4,438,300** ER in 2020, or by 25.5 percent. The Agencies' goal was to plan for a region that balanced jobs and housing, that is, to have ER equal TE. They could have lowered ABAG's TE to meet its ER, but instead chose to increase the ER to meet the projection for TE. The actual 2020 figure was 4,147,000 ER, below the projection.

More ER leads to a corresponding increase in households and population to include workers and their families. ABAG assumed that many would live outside the region and commute in. Including this number, population would increase by 1,539,000 and total ER for the region and in-commuters to **4,687,950**, a growth of 32.5 percent.

The Agencies were also trying to decide how to bring in the outsiders and allocate the extra ER, households, and population to the counties. They looked only at allocating the increment and ignored the existing imbalances.

The ER increment was allocated to locations without lowering TE, so localities wound up with the same imbalance they started with. Similarly, oddly enough, low TE growth in Silicon Valley meant it got little new ER, allowing it to persist in extreme imbalance. The Agencies looked at raw TE/ER balances, thus ignoring the value of imbalances for agglomeration economies and the capacity of transportation infrastructure to deliver workers. Because they ignored current imbalances and the role of transportation, the analysis was flawed.

SPS Land Use Targets

By sharp contrast, the SPS had the region grow to **3,988,000** ER by 2020, a growth of 12.7 percent, half the ABAG rate. The SPS moderated projected regional job growth to have TE equal to ER by 2020. Jobs would grow less, and housing more in areas with severe job surpluses. Job growth was held down in Silicon Valley and San Francisco while TE increased elsewhere as projected by ABAG, greatly improving their job-housing balances, commute distances, and transit use. The SPS corrected for the current costs of job location externalities.

Some job locations projected by ABAG were moved within the region and others move out to other regions, helping both. All cities got some job growth, and housing caught up to jobs.

Looking at total population, in 2000 the Bay area population was about seven million. ABAG expected the 2020 population to go over eight million. SPS had population trend toward stability and to be half that of ABAG's, or by 548,000 people, to reach a regional total of under 7.5 million.

In fact, the 2020 population was 7,920,000, straddling the estimates.

Under SPS no growth occurred in the greenbelt, only within the urbanized area.

Undeveloped urbanized land zoned for business purposes was freely converted to neighborhood uses to achieve job housing balances. The SPS emphasized dense neighborhood development near high frequency transit and radically reduced car space and car use. Besides the usual smart growth, a few car-free transit villages at average four-story height would accommodate about 10,000 people on about 100 acres. Moderate to low-income households in gentrifying neighborhoods were protected from dislocation.

Planning for Regional jobs-housing balance

The region should decide to stop the growth of basic jobs in severe surplus localities and anywhere else where it would have high external costs. The policy should allow housing to catch up to a stable target and not chase an ever increasing, unsustainable growth in jobs.

The problem is not affluence but the kind of affluence we have. We have been externalizing costs and degrading the environment with unsustainable population growth and technology. The regional agencies should develop deeper insights into sustainability based on moving toward a stable or lower population achieved over time, as has occurred in other wealthy countries.

Sustainability depends on improving the quality of life while saving the environment. GRP has to reflect this, not ignore it with money-only metrics.

Sherman Lewis

Professor Emeritus, Cal State Hayward
President, Hayward Area Planning Association
sherman@csuhayward.us

From: [Martha Silver](#)
To: [Martha Silver](#)
Subject: FW: Joint MTC Planning Committee with the ABAG Administrative Committee
Date: Wednesday, October 6, 2021 9:21:14 AM

From: Commissioner Gordon [REDACTED]
Sent: Tuesday, October 5, 2021 10:46 AM
To: Martha Silver <MSilver@bayareametro.gov>
Subject: MTC WORKING GROUP MEETING

External Email

To M. Silver and whom it a concern

Thank you so much for a great conversation. Transparency and better serving our community. I still think that there should be Wade fees during the covid-19 pandemic. I see in people's windshield stocks and stocks on top of stacks of red and white notices including my own as well. This could be not only challenging financially currently but it can be as it goes into the next phase of collections, including even losing licenses or paying extra fines and fees.

Helen-Marie [REDACTED]



Supervisor Alfredo Pedroza, Chair
Metropolitan Transportation Commission
375 Beale Street, Suite 800
San Francisco, CA 94105

October 5, 2021

Mayor Jesse Arreguin, President
Association of Bay Area Governments
375 Beale Street, Suite 800
San Francisco, CA 94105

Therese McMillan, Executive Director
Metropolitan Transportation Commission
375 Beale Street, Suite 800
San Francisco, CA 94105

Dear Honorable Supervisor Pedroza, Mayor Arreguin, and Director McMillan,

San Francisco is committed to collective action to build a more equitable, sustainable, and resilient region as called for in Plan Bay Area (PBA) 2050. We want to thank leadership and staff for the immense amount of work that has gone into PBA and the focus on equity outcomes. Your staff's efforts in collaborating with San Francisco, other jurisdictions, and advocates on a more equitable plan are appreciated. San Francisco will continue to work over the long term with the Metropolitan Transportation Commission (MTC) and Association of Bay Area Governments (ABAG) to collectively implement regional solutions to improve housing affordability, reduce displacement, and meet greenhouse gas reduction targets. We are writing to request further action that will help PBA create a more equitable region.

This letter follows a January 20th, 2021 letter that raised concerns about the PBA growth forecast and its impact on the Regional Housing Need Allocation (RHNA). **Today, San Francisco's primary concern is that the growth forecast assumed higher future density on lots with existing multifamily housing and in sensitive communities at-risk for displacement, resulting in higher likelihood of redevelopment, than similar sites with single family homes.** These assumptions result in forecasted development in San Francisco premised on redevelopment of lots with rent-controlled housing citywide, especially in lower income communities of color such as the Mission and Western Addition.

We believe that these assumptions are not consistent with the Plan's goals to address regional housing needs through a robust three-pronged, simultaneous strategy of production, protection, and preservation and will, in fact, undermine the Plan's goals to reduce displacement and acquire and preserve hundreds of thousands of rental units occupied by lower income renters. These assumptions seem to be inconsistent with state Housing Element law and are inconsistent with the state tenant protecting demolition controls, such as Section 66300(d). State law requires local jurisdictions to adopt policies to conserve sound multifamily housing and requires that sites counted in local RHNA inventories be realistic for development, which is unlikely for multifamily sites due to financial feasibility and to requirements for unit replacement and right to return such as those in 66300(d). Beyond state law, these growth assumptions may have reduced forecasted growth in historically exclusionary jurisdictions that are disproportionately jobs-rich and high opportunity. Unfortunately, the adopted RHNA methodology already incorporates these growth forecast results.

In response to these concerns, ABAG/MTC members and staff decided to study an Equity Alternative. We were gratified to see that the Alternative performed well in terms of the environmental and social outcomes. The Equity Alternative included positive changes to the land use assumptions in the plan, including correcting the above described density discrepancy between multifamily and single-family lots. The Equity Alternative encouraged more housing in disproportionately jobs-rich and high opportunity areas. Oddly, the Equity Alternative also included transportation policies and investments unrelated to household and job growth patterns that undermined the Alternative's effectiveness. San Francisco cannot support the Equity Alternative's changes to transit investment given the unclear relationship to current needs or future growth. We see no reason why improvements to the land use assumptions in the Equity Alternative could not be combined with the current transportation investment plan to produce a plan that is *both more equitable and effective* for the region.

San Francisco believes that there are steps that can still be taken to address inconsistencies between PBA's stated equity goals and the forecast assumptions. We ask our colleagues at ABAG/MTC to consider and enact these steps going forward:

1. *Identify additional resources and strategies* to rapidly implement PBA's goal to acquire thousands of rental units occupied by low and moderate people. This investment should be prioritized to stabilize communities of color at risk of displacement in the short to medium term.
2. *Consider changes to PBA ahead of adoption* to address disconnects between PBA's goals for preservation of multifamily housing and the Plan's land use assumptions. These changes should include substituting land use assumptions from the Equity Alternative.
3. *Condition future transportation investments in exclusionary jurisdictions* that are disproportionately jobs-rich, low-density, and high resource on increased housing production for all incomes.
4. *Identify robust near-term funds for transit state of good repair and for additional PDA plans* to identify other supporting investments, and ensure that each jurisdiction that nominated new PDAs through the PBA 2050 process has access to a meaningful level of resources to implement adopted PDA plans.
5. *Ensure that future PBA growth forecasts are final and vetted through the PBA process* before being incorporated into the RHNA methodology for final adoption by MTC and ABAG.
6. *Ensure that future PBA forecast assumptions are consistent with multifamily preservation goals.* This is particularly important in lower income communities of color, and to ensure parity of treatment of multifamily and single-family housing occupied parcels that are otherwise similar.

San Francisco will continue to do our part to produce and preserve housing to improve affordability and to create the green transportation system of the future. The city has been one of the leading regional housing producers in recent years, including unprecedented investment in affordable housing. The city has taken ambitious steps to preserve housing including the Rental Assistance Demonstration (RAD) conversion and rehabilitation of 3,500 public housing units and the ongoing rebuilding of all remaining large public housing sites (over 1,200 units) through HOPE SF. Since 2014, San Francisco has funded the nonprofit acquisition of 52 small and large site rental buildings with 543 residential units to preserve affordability for lower income tenants. San Francisco is working to encourage housing production throughout the city and has recently designated four large new Priority Development Areas (PDAs) in lower density, transit-served areas of the city.

We have taken bold steps to support transit, bicycling, and walking including the designation of Market Street, the city's main Downtown corridor, as transit and bicycle only while also expanding bus-only lanes and bicycle lanes throughout the city. San Francisco has low Vehicle Miles Traveled (VMT) because we have invested for decades in a robust transit system and sustainable policies such as low parking provision combined with transit-oriented development. San Francisco has an estimated \$20 billion backlog in transit system state of good repair needs, and many of our transit lines are already

experiencing crowding. The higher growth forecast will exacerbate both of these conditions without a commensurate commitment to increase investment in the infrastructure and services needed to support the increase in growth. We will need the region's support to maintain and expand our transit systems, to ensure safe, easy bicycling and walking trips throughout the city, and to maintain our streets and bridges in a state of good repair.

Specific near-term priorities for project development and construction investment include: the Downtown Rail Extension; Muni Core Capacity Program; Yerba Buena Island (YBI) West Side Bridges Seismic Retrofit Project; Treasure Island Mobility Management Program (inclusive of an equitable tolling, electric ferry, and affordability program); Vision Zero Quick Builds on our city's high-injury network; Geary BRT Phase 2; Better Market Street; US-101/I-280 managed lanes; and the Embarcadero Roadway, Mission Creek and Ocean Beach Master Plan resilience projects. We will be looking for your support in the various planning, policy and funding efforts on the horizon, including the Transit Oriented Development policy update, the Regional Active Transportation Plan, OBAG 3 Regional Programs, the Regional Transit Expansion Program update, RM3 and SB1 programming efforts, and others. The region will only succeed through partnership.

We ask that our colleagues take action on the steps we suggest above so that PBA can realize its full promise as a regional plan that emphasizes equity, prevents displacement, expands access, reduces emissions, and protects equity priority communities. We thank ABAG/MTC members and staff for ongoing collaboration and recommit ourselves to the collective work of creating a more just, equitable, and sustainable region.

Sincerely,



Mayor London Breed



Supervisor Gordon Mar



Supervisor Hillary Ronen



Supervisor Rafael Mandelman



West Bay Citizens Coalition

Empowering West Bay communities to find
locally driven solutions to regional problems

October 7, 2021

Joint MTC Planning Meeting with ABAG Administrative Committee:

MTC/ABAG need to get legal advice whether they have followed California Government Codes before they approve the Plan Bay Area 2050 before you.

By 2019 it was clear that Plan Bay Area 2040 was not meeting the Goals embedded in the California Government Code of "promoting a healthy intraregional relationship between jobs and housing". Letters from PASZ (August 2019) and WBCC (February 2020) as well as ten speakers at the September meeting of the ABAG Executive Board pointed to serious longer-term impacts of intraregional imbalances.

These letters and speakers called for MTC/ABAG to follow the CA Codes that called on Plan Bay Area to create incentives that will "promote an improved intraregional relationship between jobs and housing". (Code Section 65584 (d) (3)). The Code also specifically states that "public participation and access shall be required in the development of the methodology of the allocation of regional housing needs" (Code Section 65584 (d)).

Further, the Code states that HCD must "consult with the council of governments...who shall provide data assumptions from the council's projections...on the relationship between jobs and housing". (Code Section 65584.01 (c) (i) (F)). HCD must provide a written report to the council of governments that determines "whether the methodology furthers the obligation listed in subdivision (d) of Section 65584". (Code Section 65584.04 (i)).

Numerous letters and public comments were sent to MTC/ABAG citing these Code Sections. Yet in October 2019, one month after the methodology was approved, MTC/ABAG stated that jobs-caps in Jobs-rich Cities would not be considered with no public discussion. In June 2020, HCD sent a letter to MTC/ABAG with the final RHNA numbers stating that they had "an extensive consultation process from March 2019 through May 2020 covering the methodology, data sources and timeline for HCD's deliberations". There was no public discussion or sharing of data with the public in any of these "consultation" meetings despite repeated requests for access and/or information.

**Campbell, Cupertino, Los Altos, Menlo Park, Mountain View, Palo Alto,
Redwood City, Santa Clara, Saratoga, Sunnyvale... and growing**

MTC/ABAG's huge number for concentrated growth of both jobs and housing will have huge consequences for land and housing prices, growing income inequalities, long distance commuting, and future local government financing and decision-making.

Before you approve such an unrealistic Plan make sure the process has followed the requirements of the legal process requiring public engagement outlined in the Code. As the Code clearly requires, call for an open public meeting before you recommend approval of the Plan to explore the full consequences of the numbers embedded in the current draft of Plan Bay Area 2050.

Contact:

Greg Schmid

[REDACTED]

From: [Martha Silver](#)
To: [Martha Silver](#)
Subject: FW: Failure Notice
Date: Friday, October 8, 2021 8:37:59 AM

From: Hamilton [REDACTED] <[REDACTED]>
Date: Thursday, October 7, 2021 at 2:47 PM
To: MTC-ABAG Info <info@bayareametro.gov>, info@planbayarea.org
<info@planbayarea.org>
Subject: Fw: Failure Notice

External Email

Plan Bay Area 2050 will unnecessarily increase housing costs, commute times and economic disparity.

This is because the plan does not meaningfully shift job growth away from the most expensive and developed areas such as the Peninsula and San Francisco to more affordable and easy to reach areas. The more affordable areas such as East Bay, North Bay and San Jose and further South all have lower housing costs and commuting access from even less expensive housing areas without going through congested corridors such as the Dumbarton and San Mateo bridges or on 237. The lack of effective job dispersal will deny countless lower and middle income working families the opportunity to afford a home and prevent them from building wealth and increasing their socio-economic status.

MTC/ABAG has violated California Government Code that calls for public discussion of alternative approaches to resolving intra regional jobs-housing imbalances to more effectively disperse jobs through the Bay Area. On August 17, 2019 a letter from PASZ (with 85 signatures) was sent to MTC/ABAG. The letter pointed to failures of the methodology used during Plan Bay Area 2040 that dramatically underestimated the concentration of jobs on the Peninsula and did not anticipate the dramatic negative impacts of job concentration on housing prices, income inequalities and long distance commuting. On Sept 19th, 2019 the ABAG Executive Committee approved the proposed methodology despite 10 speakers calling for the need and benefits to examine in open public discussion of alternate means of dealing with intra regional imbalances of jobs and housing.

Other shortcomings of Plan include:

- Estimating 25% population growth by 2050 despite California's steadily declining population and Santa Clara's growth being zero percent in 2018 and 2019 before declining 0.6% in 2020.
- The Plan assumes over \$1 trillion in funding for housing and transportation, which is unrealistically and overly optimistically high. Note, the entire 2020-21 California state

budget was \$134 billion.

- Unrealistic expectations of public transportation and “transit rich areas”. Bus ridership as a percentage of population has been declining and CalTrans is saturated with future capacity already spoken for. The myth that more density will fund effective public transportation to handle the planned growth on the Peninsula is not supported by the data.

Your response to some of my DEIR comments where you say “The comment does not raise environmental issues or concerns regarding the adequacy, accuracy, or completeness of the Draft EIR.” for items such as significantly overestimating population (the basis of all environmental impacts) and increased commute times which affect pollution is not a valid response.

In summary, Plan Bay Area 2050 will unnecessarily increase housing costs, commute times and economic disparity. This is in part because it failed to hold meaningful public discussions on job dispersion and makes unrealistic assumptions about growth, funding and transportation.

Hamilton [REDACTED]