



TO: Regional Advisory Working Group

DATE: September 29, 2015

FR: Therese Trivedi, MTC and Cynthia Kroll, ABAG

RE: Priority Development Area (PDA) Assessment Update

### **Background**

In 2012, MTC and ABAG oversaw an assessment of the readiness of PDAs to accommodate housing projected in 2040, the horizon year of Plan Bay Area. The PDA Assessment evaluated a sample of twenty PDAs representing a variety of place types and market conditions, and focused on housing capacity, the existing planning and entitlement process, the level of community support for development (as demonstrated by elected official approval of PDA-supportive land uses as well as history of neighborhood opposition), market attractiveness, infrastructure capacity, unfunded needs and financing capability. The Assessment found that the baseline readiness of the PDA sample to take on residential growth was 62% of the 2040 forecast. With the implementation of a range of proposed policy and financial interventions, the Assessment estimated that an increase in the development capacity of the PDA sample to 80% or more was feasible.

The settlement agreement in the matter *Building Industry Association Bay Area v. Association of Bay Area Governments, et al.* (Alameda County Superior Court Case No. RG13692098) requires an update of the PDA Assessment in advance of the update to Plan Bay Area. Additional PDA Feasibility Analysis will be conducted in relation to the settlement agreement in the matter *Communities for a Better Environment v. Metropolitan Transportation Commission*. MTC engaged Environment & Planning Services (EPS) to update the assessment. An update to the analysis offers an opportunity to assess market conditions that have significantly changed in many PDAs since the initial PDA Assessment was completed.

### **Scope of Work**

The PDA Assessment update was prepared in a manner comparable to the work completed in 2013. The scope of that analysis similarly evaluated the local planning and entitlement process, community support for development, market investment attractiveness, infrastructure capacity and financing. The 2015 Assessment includes an expanded sample of 65 PDAs; the initial 20 evaluated in 2013, as well as an additional 45 PDAs representing a range of place types and market conditions. The number of units allocated to the sample PDAs represents half of all of the housing units projected in Plan Bay Area and two-thirds of all Plan Bay Area units allocated to PDAs.

A technical advisory group, in which both MTC and ABAG staff participated, was established with the following perspectives represented: residential developers, local jurisdictions, congestion management agencies and the Building Industry Association. The committee met three times, first to review the framework for the analysis and the expanded sample, next to review initial baseline results, and again to review amended results that, with various policies

and investments applied, could advance PDA development. Staff in local jurisdictions provided data and input into the analysis of their PDAs, and had the opportunity to review their PDA findings.

## Findings

The PDA Assessment reached the following conclusions.

- Given current local land use policies and development opportunity sites, there is capacity for about 70% of the Plan Bay Area 2013 allocation of residential units in the sample of PDAs (baseline readiness).
- With the implementation of a range of policy and investment interventions, the PDA Assessment estimates an **increase** in the development capacity of the PDA sample to 87% or more (amended readiness).
- Top PDA **development constraints** are similar to those found in the 2013 analysis and include infrastructure needs, limited local government financing and parcel assembly capacity (e.g. loss of redevelopment agencies and funding), market demand limitations, and in some cases, local zoning constraints.
- Also similar to the 2013 analysis, a range of policy actions could be implemented at the local, regional and state levels to address these development constraints and improve PDA development readiness, such as:
  - Refining local land use policies and zoning to improve the flexibility, predictability and efficiency of land use regulations;
  - Targeting available planning and capital funding to reflect development readiness; and
  - Expanding financing, particularly for infrastructure, and parcel assembly tools at the local level to provide jurisdictions with funding options or addresses parcel assembly challenges.

Development of non-PDA areas will also continue, as Plan Bay Area anticipated 20% of future housing growth will occur beyond PDA boundaries. In most instances non-PDA areas face constraints similar to PDAs. Ultimately, market forces will influence the precise location, development prototypes, and cost of future housing.

## Next Steps

Agency and EPS staff will present the attached slides at your meeting, providing additional detail about the project.

The PDA Assessment final report will be completed by the end of October. Staff will review the report findings as one of the inputs into the development of Plan Bay Area 2040 scenarios. In addition, recommended PDA Assessment policy actions will be considered for inclusion in Plan Bay Area 2040 and related advocacy efforts.



# Priority Development Area (PDA) Assessment - 2015 Update

Regional Advisory Working Group  
October 6, 2015

Therese Trivedi, MTC  
Cynthia Kroll, ABAG  
Darin Smith, EPS





# Study Purpose

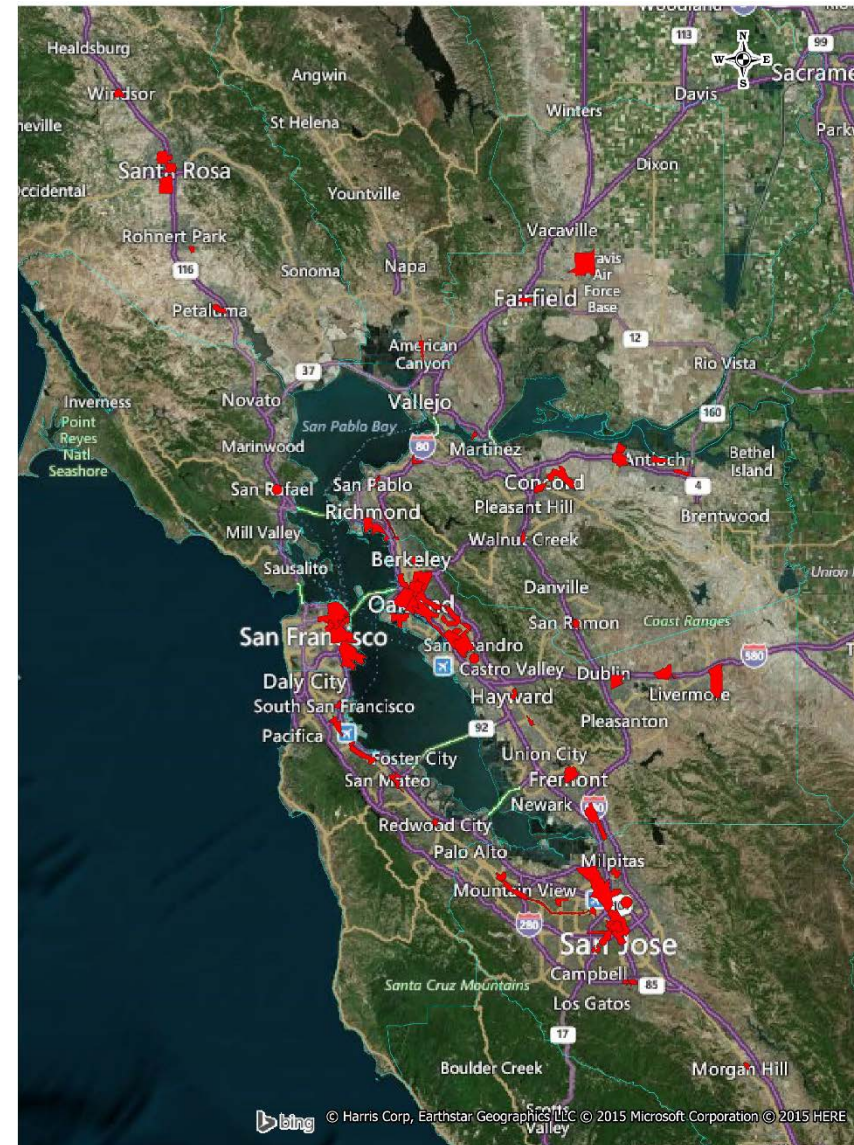
## 2013 Assessment

- Estimate PDAs “readiness” to accommodate residential units projected in *Plan Bay Area*
- Determine policy and investment initiatives to improve feasibility
- Results: PDAs can achieve **62%** of *Plan Bay Area* growth forecast, **80%** with policy actions

## 2015 Update

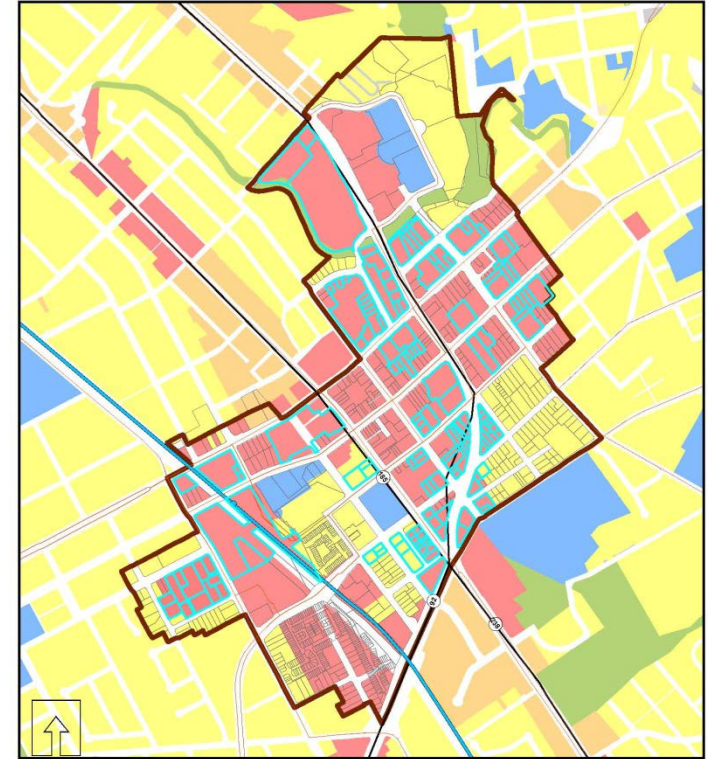
- Update outlined in Settlement Agreement  
(*Building Industry Association Bay Area v. Association of Bay Area Governments, et al.*)
- Significant market changes since 2013
- Technical Advisory Group
- More robust sample than in 2013
  - 2/3 of housing projected in PDAs
  - 1/2 of overall housing in Plan Bay Area

Figure 1: 65 PDAs in 2015 Sample



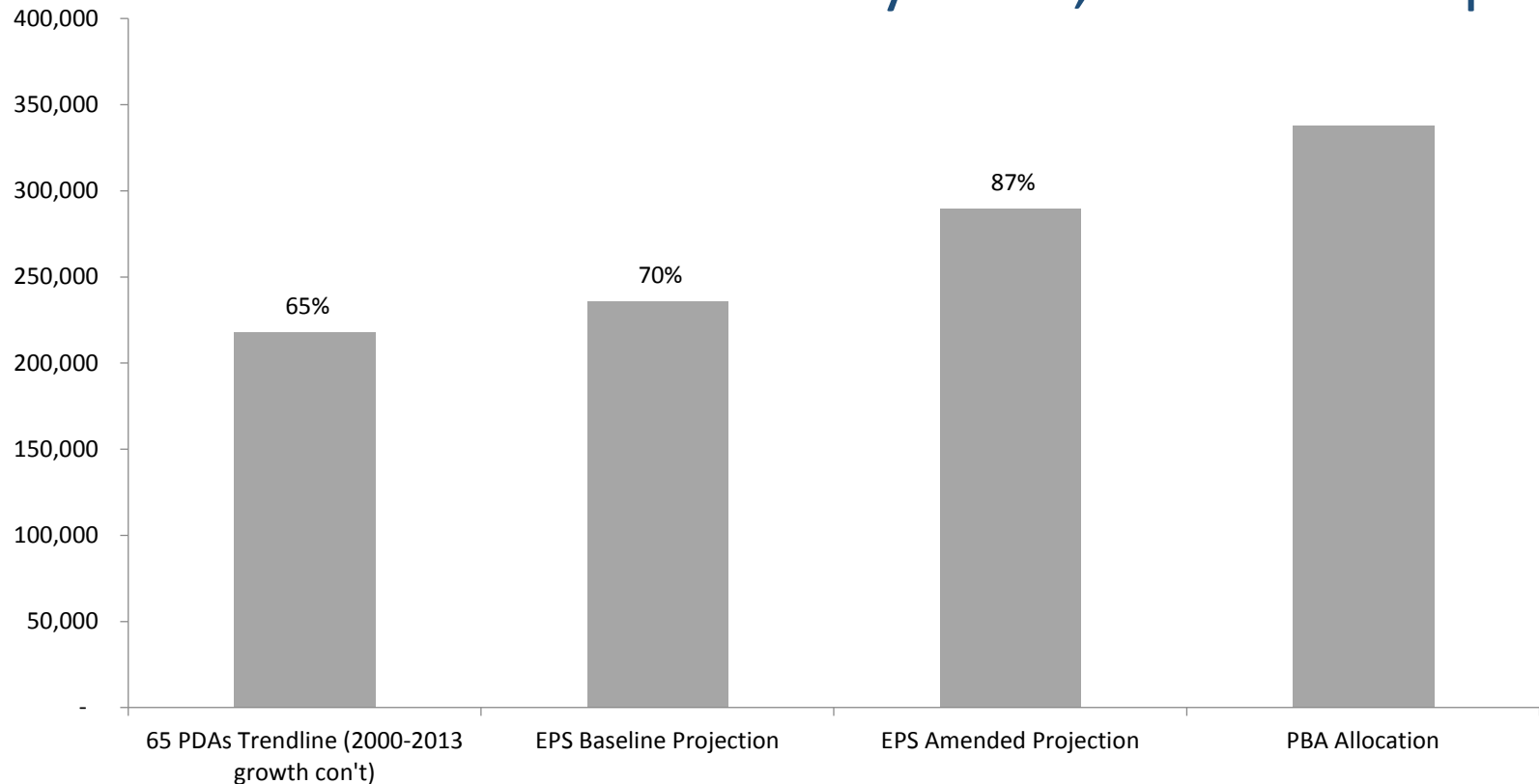
# 2015 Update - Framework for Analysis

- Readiness Criteria - same as 2013 Assessment
  - Housing capacity estimate
  - Existing planning & entitlement process
  - Level of community support
  - Market attractiveness
  - Infrastructure capacity, needs
- Evaluate baseline readiness
- Determine amended readiness assuming certain policy actions or investments



# Finding #1: ~70% “Ready” in Baseline, ~87% “Ready” in Amended Conditions

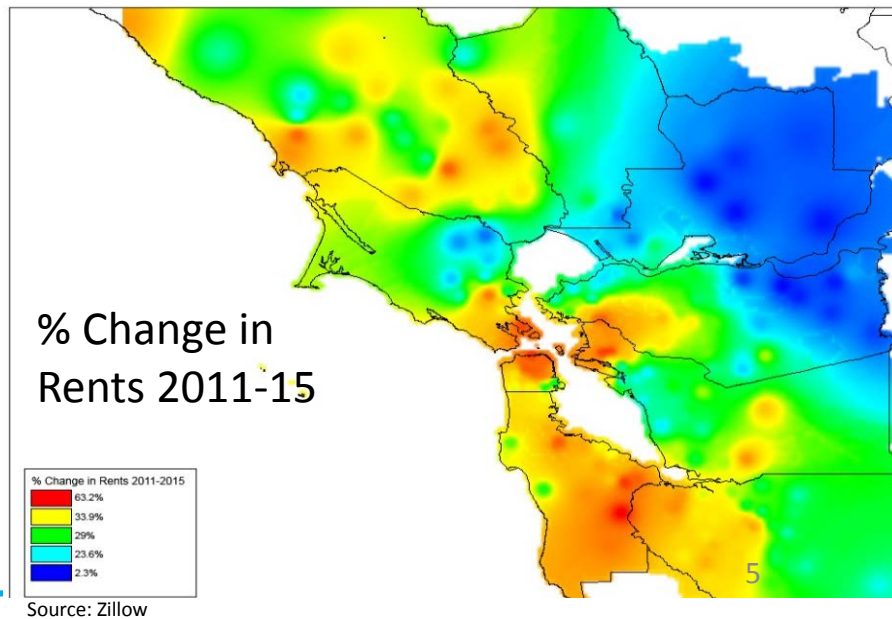
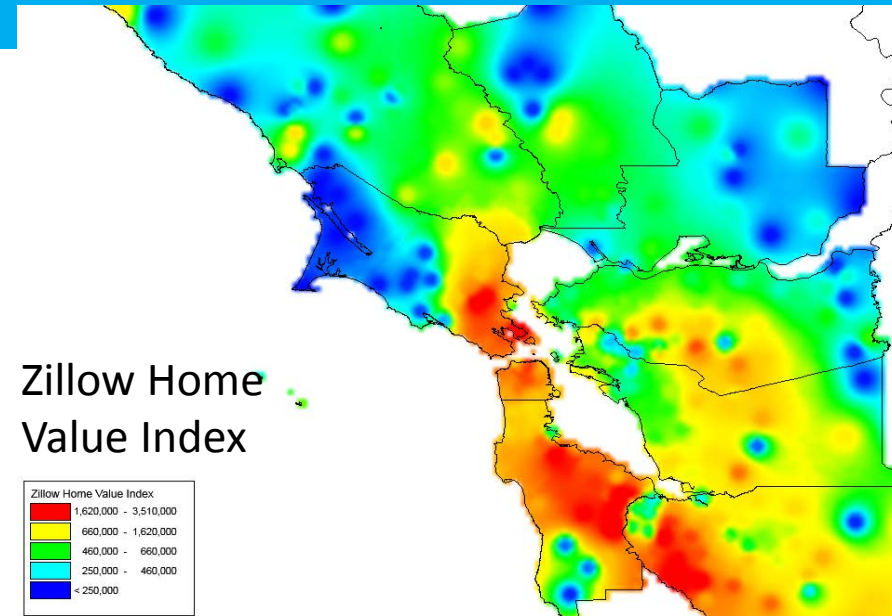
## Chart 2: Net New Units by 2040, 65 PDA Sample





# Finding #2: PDA Readiness and Challenges Vary by Location

- Strong markets face community and political scrutiny
- Community and political support often stronger in weaker multifamily markets



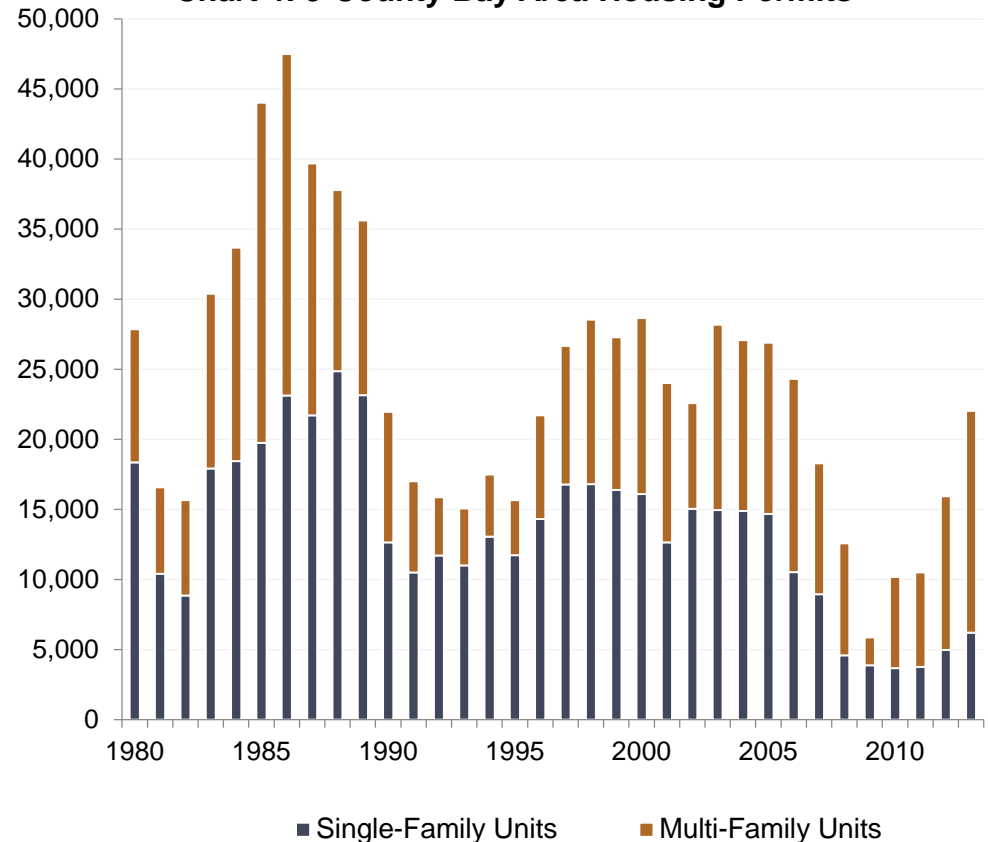
# Changes Since 2013 Assessment

- Constraint

## improvements:

- More Specific Plans/EIRs in place
- Housing permits have increased
- Prices have increased
- Density bonuses more viable
- New funding mechanisms (i.e. cap and trade)

Chart 4: 9-County Bay Area Housing Permits



Source: Vital Signs, MTC

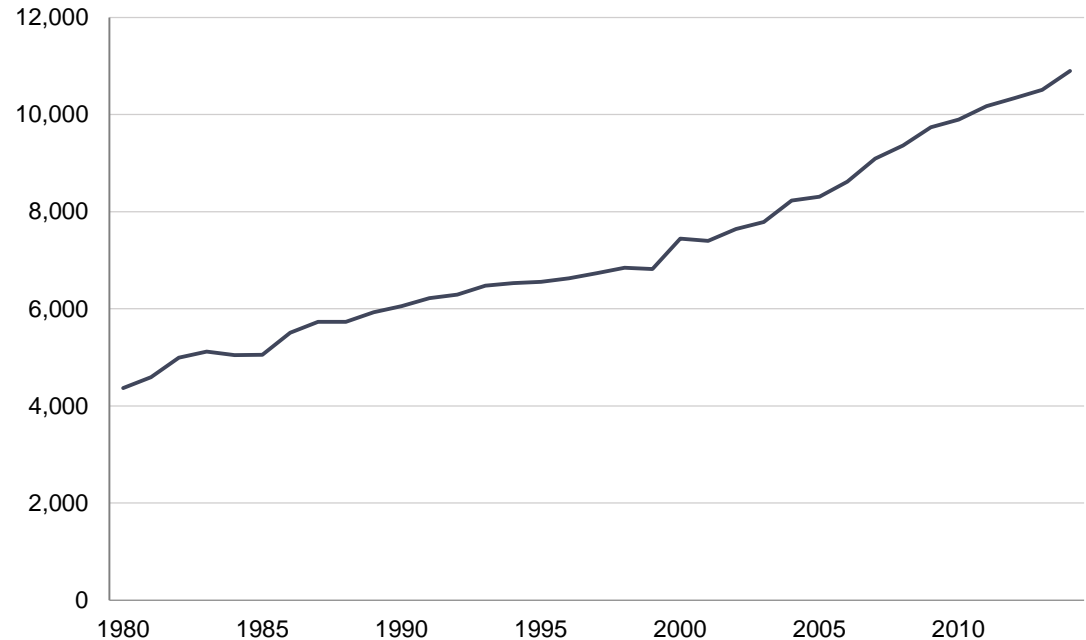


# Changes Since 2013 Assessment

- Intensified constraints:

- Construction costs are up
- Fee and exaction increases in many communities
- Reductions in federal funding for affordable housing
- Concerns about displacement

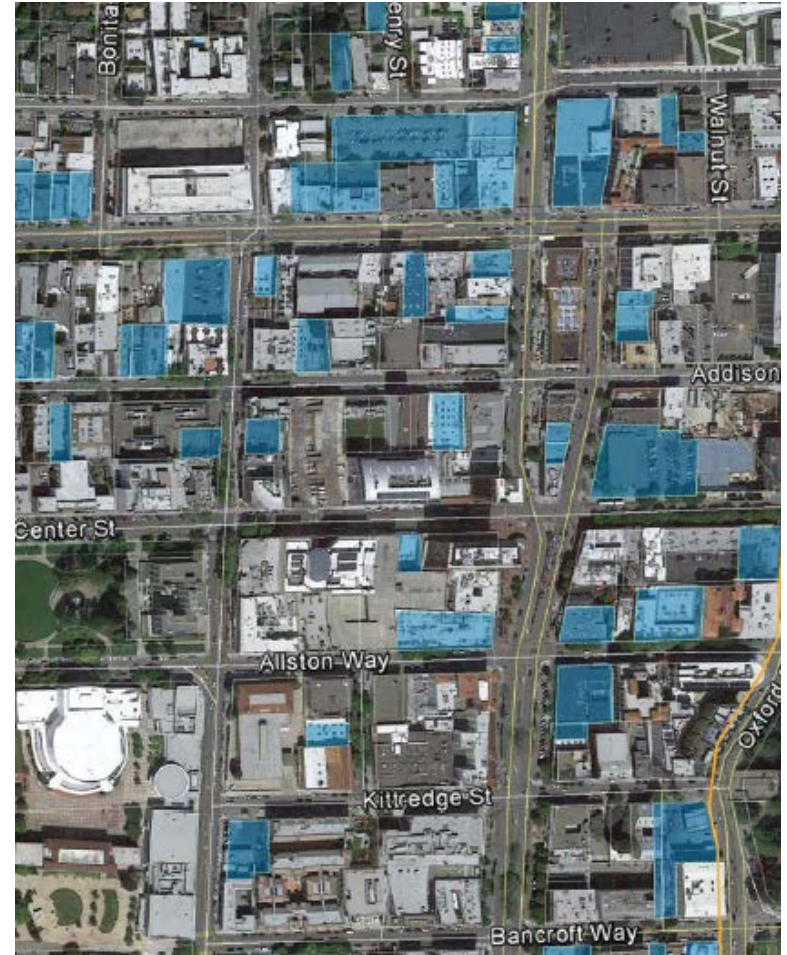
Chart 5: Construction Cost Index



Source: Engineering News-Record

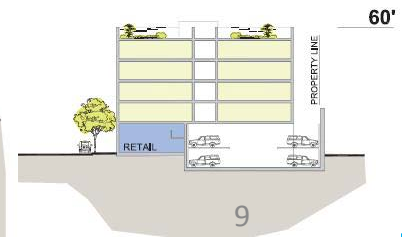
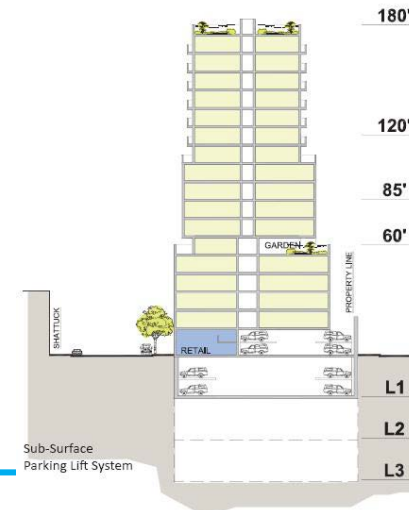
# Persistent Conditions

- Site configuration/ small parcels
- Existing uses
- Neighborhood adjacencies
- Some unproven markets for more dense development
- Infrastructure needs



# Interventions to Improve Readiness

- Included in Amended Results
  - Infrastructure financing/funding mechanisms
  - Parcel assembly tools
  - Selected upzoning or other capacity increases
  - Completing plans and EIRs to streamline processes
  - Removing policy-based constraints



# Review and Next Steps

- Results shared with project Technical Advisory Group, local jurisdictions in sample, Regional Advisory Working Group
- Final report in October
- Results to inform Plan Bay Area 2040
  - Scenario development
  - Investments and policy advocacy in Plan

