



METROPOLITAN  
TRANSPORTATION  
COMMISSION

Agenda Item 7  
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## *Memorandum*

TO: Policy Advisory Council

DATE: December 1, 2016

FR: Pam Grove, Staff Liaison

W.I. 1114

RE: Staff Liaison Report – December 2016

### **Clipper® Turns Ten**

November 16<sup>th</sup> marked the 10<sup>th</sup> anniversary of the Bay Area's Clipper® electronic transit fare payment card. Christened TransLink at the time of its November 2006 debut as a fare-payment option for all AC Transit and Golden Gate Transit and Ferry routes, the system was renamed Clipper® in June 2010 to avoid confusion with TransLink systems in Canada and Australia, and to honor the Bay Area's maritime history and the tremendous speed of the clipper ships that revolutionized travel from the East Coast to the San Francisco Bay during the Gold Rush era.

The Clipper® card today is accepted for fare payment by 20 public transit agencies across the Bay Area. Over the last year, riders used Clipper® cards to pay fares for nearly half of all transit trips taken in the region – including an average of more than 800,000 fare payments each weekday. During this time, Clipper® has been used to pay fares for more than 240 million transit trips, and has processed more than half a billion dollars of transit agency fare revenue.

Read the press release for more on Clipper®'s history:

<http://mtc.ca.gov/whats-happening/news/clipperr-turns-10>

### **Commission Honors FSP, Waste Management Drivers for Roadside Heroism**

On November 16, MTC adopted a resolution of appreciation for Freeway Service Patrol tow truck drivers Darryl Poe and Moises Reyes, and for Waste Management of Alameda County driver David Garcia, honoring the men for the quick response, calm under pressure, and selfless dedication to the safety of others they demonstrated when they teamed to save the life of a young motorist who was injured in an October 26 accident along Interstate 880 in Oakland.

The heroic actions of Mr. Poe, Mr. Reyes and Mr. Garcia were recognized through MTC Resolution No. 4251, which was adopted unanimously by the Commission. All three men were present to receive framed copies of the resolution from MTC Chair and Santa Clara County Supervisor Dave Cortese.

Read more of the inspiring story via MTC's website at:

<http://mtc.ca.gov/whats-happening/news/commission-honors-fsp-waste-management-drivers-roadside-heroism>

### **Committee Approves Contract for Richmond-San Rafael Bridge Improvement Project**

On November 10, the BATA Oversight Committee authorized the award of a \$27.2 million contract to O.C. Jones and Sons, Inc. of Berkeley, California, to construct both a third eastbound lane on Interstate 580 from the Sir Francis Drake Boulevard onramp in Marin County to the Richmond Parkway/Point Richmond exit in Contra Costa and a barrier-separated bicycle/pedestrian adjacent to westbound Interstate 580 from the Tewksbury Avenue/Standard Avenue intersection in Point Richmond to Stenmark Drive near Point Molate. The committee also approved a \$5.6 million contingency fund to cover any changes in the work that may be necessary. Approval of the contract clears the way for construction to begin by the end of November. The third travel lane on eastbound Interstate 580 is slated for completion within 200 working days of the start of construction. Two future contracts will be required to extend the bicycle/pedestrian path across the Richmond-San Rafael Bridge and to complete connections to existing Bay Trail segments on the Marin County side of the bridge. MTC has budgeted a total of \$73.6 million for the three Interstate 580 Access Improvement Projects.

For more information on the Richmond-San Rafael Access Improvement Projects, contact MTC project manager Chris Lillie ([clillie@mtc.ca.gov](mailto:clillie@mtc.ca.gov)), or go to: <http://mtc.ca.gov/our-work/plans-projects/major-regional-projects/richmond-san-rafael-bridge-access-improvements>

### **November 2016 Ballot Measure Results**

All but two of the 22 local and regional transportation and housing ballot measures endorsed by the MTC Commission were approved by voters in the November 8<sup>th</sup> election. Together these measures will raise billions for efforts to extend and rebuild BART, maintain AC Transit operations, improve Muni and Caltrain operations, repair roads, reduce congestion and build affordable housing. In addition, a statewide referendum related to public infrastructure bonds opposed by the MTC Commission did not pass.

Results of each of the ballot measures can be found in a table as part of the story at: <http://mtc.ca.gov/whats-happening/news/november-2016-ballot-measure-results>

### **Give the Gift of Bay Area Transportation**

Take care of all your loved ones' transportation needs this holiday season, whether they prefer to drive, take transit or trek the trails by foot or bicycle. Celebrate the Bay Area and its diverse transportation options with unique gifts of travel: FasTrak® tags, Clipper® cards, and San Francisco Bay Trail jerseys and map decks.

To find out more on how to give the gift of transportation, read the story at: <http://mtc.ca.gov/whats-happening/news/give-gift-bay-area-transportation>

### **Executive Director's Report**

The following items are excerpts from the November 2016 Executive Director's Report to the Commission. Read the report in its entirety at: <http://www.mtc.ca.gov/whats-happening/news/executive-directors-report>.

- **Election Results, November 8**

Local transportation (and housing) ballot measures were big winners throughout California and the nation in an historic presidential election whose result shook both political parties in Washington DC. First, the transportation news. According to the American Public Transportation Association, state and local voters approved nearly three dozen policy and funding measures for public transit and other transportation facilities, while another dozen measures failed. Notable successes included the \$120 billion sales tax measure in Los Angeles; multi-billion dollar sales tax and bond measures in the Bay Area, Seattle, Charleston, and Atlanta; and statewide funding measures in Maine and Rhode Island. Unfortunately, several of the failed measures were in California, including Contra Costa County, San Diego County, and the City and County of San Francisco.

According to non-profit developer BRIDGE Housing, numerous bond and sales tax measures passed in communities throughout California to help fund affordable housing, including the following counties: Alameda, Los Angeles, San Diego, San Mateo, and Santa Clara. A detailed readout of the Bay Area transportation and housing election results is contained in Attachment 1. The map of the month found later in this report depicts the national picture of the growing local “self-help” movement in funding transportation infrastructure.

In the presidential campaign, one of the few things that Secretary Hilary Clinton and businessman Donald Trump agreed about was the need to invest more in the nation’s infrastructure. Nonetheless, neither was especially forthcoming about how to pay for those improvements. A brief description of President-elect Trump’s infrastructure platform is contained in Attachment 2. It features some fairly traditional GOP talking points about attracting private sector investment through tax credits and streamlining the project delivery process. Since the election, the Trump transition team has placed a price-tag of \$550 billion on their infrastructure package, again with few details about how that large sum of money would be generated.

Finally, what will be the make-up of the U.S. Congress and State Legislature in the opening two years of the Trump Administration? In Washington, the Republicans comfortably retained control of the House of Representatives and narrowly retained control of the U.S. Senate. Attorney General Kamala Harris was elected to the Senate seat held by the retiring incumbent Barbara Boxer. And one major change in the Bay Area congressional delegation was the defeat of long-time Silicon Valley Representative Mike Honda by newcomer Ro Khanna. In Sacramento, it appears the Democrats achieved a 2/3 supermajority in the State Assembly, but will fall just short in the State Senate. New members and titles in the Bay Area delegation include some very familiar MTC faces, such as Senators Bill Dodd and Scott Wiener.

- **More Housing Ideas**

Last month’s report highlighted two recent policy studies from the White House and Bay Area Council on ways to build more affordable housing in metropolitan areas like our own. This month brings two more reports (in Attachment 3) on the same subject from the McKinsey Global Institute and the San Francisco Business Times.

**Attachments:**

- Attachment 1: November 8, 2016 Election Readout - San Francisco Bay Area Ballot Measures
- Attachment 2: Description of President-elect Trump’s infrastructure platform
- Attachment 3: Closing California’s housing gap

November 8<sup>th</sup>, 2016 Election Readout - San Francisco Bay Area Ballot Measures

MTC-Endorsed Ballot Measures							
Measure	Summary	Revenue Estimate (millions)	Pass/Fail	Y	N	Eligible Expenditure Type	County
BART Infrastructure Bond (Measure RR)	30-year bond to fund BART's system-renewal plan	\$3,500	Pass	70%	30%	Transportation	Multi
AC Transit Parcel Tax Measure (Measure C1)	20-year parcel tax extension to provide a steady source of operating funding for AC transit	\$600	Pass	82%	18%	Transportation	Multi
Alameda County Affordable Housing Bond (Measure A1)	20-year general obligation bond to support affordable housing, supportive housing, and anti-displacement	\$580	Pass	72%	28%	Housing	Alameda
City of Albany Sidewalk Repair Special Parcel Tax (Measure P1)	10-year special parcel tax to fund sidewalk improvements in the city of Albany	\$2	Pass	78%	22%	Transportation	Alameda
City of Berkeley General Obligation Bond (Measure T1)	General obligation bond for infrastructure and facilities improvements	\$100	Pass	86%	14%	Broad eligibility, including transportation	Alameda
City of Berkeley Landlord Tax (Measure U1)	Business license tax on owners of five or more residential rental units to generate funding for affordable housing	\$120 (30 years)	Pass	74%	26%	Housing	Alameda
City of Oakland Infrastructure Bond (Measure KK)	10-year infrastructure bond to support transportation, housing, anti-displacement, and other purposes	\$600	Pass	82%	18%	Transportation, housing, and other	Alameda
City of Martinez Road Improvement and Maintenance 1/2-Cent Sales Tax (Measure D)	15-year, 1/2-cent sales tax to fund road maintenance and improvements	\$30	Pass	71%	29%	Transportation	Contra Costa
City of Pleasant Hill 1/2-Cent Sales Tax (Measure K)	20-year, 1/2-cent general sales tax which could fund various city services and infrastructure	\$80	Pass	66%	34%	Broad eligibility, including transportation	Contra Costa
Contra Costa Transportation Authority 1/2-Cent Sales Tax (Measure X)	30-year, half-cent sales tax to fund various transit network improvements, local streets and roads, and congestion reduction projects	\$2,900	Fail	62%	38%	Transportation	Contra Costa

<b>MTC-Endorsed Ballot Measures (continued)</b>							
<b>Measure</b>	<b>Summary</b>	<b>Revenue Estimate (millions)</b>	<b>Pass/Fail</b>	<b>Y</b>	<b>N</b>	<b>Eligible Expenditure Type</b>	<b>County</b>
City of Mill Valley Municipal Service Tax (Measure H)	10-year municipal service tax extension with revenues dedicated to fire safety, street maintenance, and road repair	\$18	Pass	77%	23%	Broad eligibility, including transportation	Marin
Town of Fairfax 3/4-Cent Sales Tax (Measure C)	10-year, 3/4-cent sales tax measure to fund city general operations and capital projects, including street repair (increases and extends the existing Measure D sales tax)	\$6.7	Pass	76%	24%	Broad eligibility, including transportation	Marin
San Francisco Charter Amendment (Measure J) and General Sales Tax (Measure K) for Transportation and Homelessness	Charter amendment and general sales tax increase to create 25-year general fund set aside for a Homelessness Housing and Services Fund (\$50 million annually) and a Transportation Investment Fund (\$100 million annually)	\$3,700	J - pass K – fail (no new revenue)	J - 66% K - 35%	J - 34% K - 65%	Transportation and housing	San Francisco
City of Belmont 1/2-Cent Sales Tax (Measure I)	30-year, 1/2-cent general sales tax increase for city priorities, including congestion relief and street repair	\$39	Pass	55%	45%	Broad eligibility, including transportation	San Mateo
City of East Palo Alto 1/2-Cent Sales Tax (Measure P)	1/2-cent general sales tax to fund city priorities, including street repair	\$54 (30 years)	Pass	84%	16%	Broad eligibility, including transportation	San Mateo
San Mateo County 1/2-Cent Sales Tax (Measure K)	20-year extension of Measure A, a 1/2-cent general sales tax, to fund city priorities including transit and affordable housing	\$1,600	Pass	70%	30%	Broad eligibility, including transportation and housing	San Mateo
Santa Clara County Affordable Housing Bond (Measure A)	30-year bond to fund affordable housing for low- and moderate income households, including first-time homebuyer assistance	\$950	Pass	67%	33%	Housing	Santa Clara
Santa Clara County Valley Transportation Authority 1/2-Cent Sales Tax (Measure B)	30-year half-cent sales tax to fund the final leg of the BART extension to Silicon Valley, Caltrain grade separations and capacity improvements, and high-priority local street and road repairs	\$6,500	Pass	71%	29%	Transportation	Santa Clara

<b>MTC-Endorsed Ballot Measures (continued)</b>							
<b>Measure</b>	<b>Summary</b>	<b>Revenue Estimate (millions)</b>	<b>Pass/Fail</b>	<b>Y</b>	<b>N</b>	<b>Eligible Expenditure Type</b>	<b>County</b>
City of Fairfield 1-Cent Sales Tax (Measure P)	15-year extension of Measure P, a 1-cent general sales tax which funds city priorities including street maintenance and repair	\$240	Pass	68%	32%	Broad eligibility, including transportation	Solano
City of Suisun 1-Cent Sales Tax (Measure S)	10-year, 1-cent general sales tax with revenues directed to a variety of purposes, including road and street infrastructure maintenance and repair	\$18	Pass	68%	32%	Broad eligibility, including transportation	Solano
City of Vacaville 3/4-Cent Sales Tax (Measure M)	20-year, 3/4 cent general sales tax measure to fund city priorities, including road repair (increases and extends the existing Measure M sales tax)	\$300	Pass	62%	38%	Broad eligibility, including transportation	Solano
City of Vallejo 1-Cent Sales Tax (Measure V)	Extends Measure B, a 1-cent general sales tax which funds city priorities, including road work	\$420 (30 years)	Pass	64%	36%	Broad eligibility, including transportation	Solano

<b>MTC-Opposed Ballot Measure</b>					
<b>Measure</b>	<b>Summary</b>	<b>Pass/Fail</b>	<b>Y</b>	<b>N</b>	<b>County</b>
California Public Infrastructure Bond Voter Approval (Proposition 53)	Requires statewide voter approval for any public infrastructure revenue bond above \$2 billion issued by a joint powers authority created by the state or in which the state is a member, even if that bond was meant to fund a local or regional project	Fail	49%	51%	Statewide

Infrastructure-eligible Revenue Ballot Measures							
Measure	Summary	Revenue Estimate (millions)	Pass/Fail	Y	N	Eligible Expenditure Type	County
City of Berkeley Business License Tax for Affordable Housing (Measure DD)	Berkeley Rental Housing Association alternative to the city-sponsored Measure U1	\$42	Fail	29%	71%	Housing	Alameda
City of Lafayette 1-Cent Sales Tax (Measure C)	29-year 1-cent general sales tax increase for city priorities, including reducing congestion and increasing downtown parking	\$87	Fail	43%	57%	Broad eligibility, including transportation	Contra Costa
San Francisco Allocation of Hotel Tax Funds (Proposition S)	Re-directs existing hotel tax revenues from the general fund to specific services that support the arts and shelter for homeless families	\$69-103 (annually)	Pass	63%	37%	Broad eligibility, including housing	San Francisco
City of East Palo Alto Landlord Tax (Measure O)	1 1/2-cent business license tax on owners of five or more residential rental units to generate funding for affordable housing	\$18 (30 years)	Pass	77%	23%	Broad eligibility, including housing	San Mateo
City of San Jose Business Tax (Measure G)	Measure to increase business tax rates on select businesses for essential services, such as police, emergency response, and pothole repair	\$380 (30 years)	Pass	65%	35%	Broad eligibility, including transportation	Santa Clara
City of Sunnyvale Utility Tax (Measure N)	Extend 2-cent utility tax to mobile phones and Internet-based communications and direct new revenues to essential city services, including street and sidewalk repair	\$45 (30 years)	Pass	77%	23%	Broad eligibility, including transportation	Santa Clara
Town of Los Gatos Rental Tax (Measure T)	2-cent rental tax increase on hotel and AirBnB guests with revenues directed to town priorities	\$10-12 (30 years)	Pass	82%	18%	Broad eligibility, including transportation	Santa Clara

<b>Infrastructure-eligible Revenue Ballot Measures (continued)</b>							
<b>Measure</b>	<b>Summary</b>	<b>Revenue Estimate (millions)</b>	<b>Pass/Fail</b>	<b>Y</b>	<b>N</b>	<b>Eligible Expenditure Type</b>	<b>County</b>
City of Santa Rosa 1/4-Cent Sales Tax (Measure N)	8-year extension of 1/4-cent general sales tax for city priorities, including street/pothole repair and affordable housing/homeless services	\$64	Pass	72%	28%	Broad eligibility, including transportation and housing	Sonoma
Sonoma County Tourist Tax (Measure L)	3-cent transient occupancy tax increase for general county priorities, including road maintenance and workforce housing for families and veterans	\$120 (30 years)	Pass	68%	32%	Broad eligibility, including transportation and housing	Sonoma
City of Healdsburg Hotel Tax (Measure S)	2-cent hotel tax to fund affordable housing services and programs	\$16 (30 years)	Pass	68%	32%	Housing	Sonoma
Sonoma County Regional Parks 1/2-Cent Sales Tax (Measure J)	10-year, 1/2-cent sales tax for regional parks and water quality improvements, including walking trail and bikeways projects	\$95	Fail	64%	36%	Broad eligibility, including transportation	Sonoma
City of Sonoma 1/2-Cent Sales Tax (Measure U)	Extends 1/2-cent general sales tax for 5 years to continue funding city services, including sidewalk and street maintenance and affordable housing programs	\$11	Pass	73%	27%	Broad eligibility, including transportation and housing	Sonoma

<b>Housing and Land Use Ballot Measures</b>					
<b>Measure</b>	<b>Summary</b>	<b>Pass/Fail</b>	<b>Y</b>	<b>N</b>	<b>County</b>
City of Alameda Rent Stabilization (Measure L1)	Measure to adopt the City's March 2016 Rent Stabilization Ordinance	Pass	56%	44%	Alameda
City of Alameda Rent Control (Measure M1)	City charter amendment limiting annual increases and enhancing tenant protections	Fail	34%	66%	Alameda
City of Albany Parking Requirements (Measure N1)	Empower City to reduce parking requirements	Pass	64%	36%	Alameda
City of Berkeley Affordable Housing Authorization (Measure Z1)	Authorizes 500 affordable housing units in Berkeley	Pass	83%	17%	Alameda



City of Berkeley Rent Board Ordinance (Measure AA)	Updates rent board ordinance to enhance tenant protections	Pass	72%	28%	Alameda
City of Oakland Rent Stabilization (Measure JJ)	Updates Oakland's rent board ordinance to enhance tenant protections	Pass	74%	26%	Alameda
City of Richmond Rent Control (Measure L)	Establish rent control, a rent board, and just cause eviction requirements for the City of Richmond	Pass	64%	36%	Contra Costa
San Francisco Competitive Bidding (Measure P)	Requires at least three bids on any city-funded affordable housing project	Fail	33%	67%	San Francisco
San Francisco Middle Income Housing (Measure U)	Expands income cap for affordable housing eligibility, allowing households earning 110% area median income to qualify for select affordable housing units	Fail	35%	65%	San Francisco
San Francisco Housing and Development Commission Charter Amendment (Measure M)	Charter amendment transferring city housing and economic development oversight from the city to an appointed Housing and Development Commission	Fail	44%	56%	San Francisco
San Francisco Candlestick Point and Hunters Point Development (Measure O)	Citizen initiative to exempt office development projects in Candlestick Point and Hunters Point from a square foot limit imposed by voters through Proposition M, a citizen initiative in 1986	Pass	53%	47%	San Francisco
San Francisco Replacement Space for Development Projects (Measure X)	Require developers to provide space to replace any locations zoned for neighborhood arts, small businesses, or community services of certain sizes that were destroyed or disrupted by a development project within the Mission and South of Market neighborhoods	Pass	59%	41%	San Francisco
City of Burlingame Rent Stabilization (Measure R)	Establishes a rent stabilization program capping annual rent increases at 4 percent (superseding prior restrictions on rent control)	Fail	32.56%	67.44%	San Mateo
City of San Mateo Rent Control Charter Amendment (Measure Q)	Charter amendment limiting annual rent increases to 4 percent and establishing a rent control commission and policies	Fail	39.06%	60.94%	San Mateo
City of East Palo Alto Rent Control (Measure J)	Limits rent increases to 10 percent annually	Pass	79.48%	20.52%	San Mateo

City of Gilroy Urban Growth Boundary (Measure H)	Measure to add an urban growth boundary to the city's general plan through 2040	Pass	65%	35%	Santa Clara
City of Milpitas Urban Growth Boundary (Measure I)	Prohibits the city from extending public services to new developments near the Milpitas foothills through 2038, reinforcing the existing urban growth boundary	Pass	73%	27%	Santa Clara
City of Milpitas Hillside Development (Measure J)	Requires a vote by residents to make any changes in Milpitas foothills development rules	Pass	79%	21%	Santa Clara
Town of Morgan Hill Slow Growth Initiative (Measure S)	Measure to cap Morgan Hill's population at 58,200	Pass	77%	23%	Santa Clara
City of Mountain View Rent Stabilization Charter Amendment (Measure V)	Charter amendment limiting annual rent increases to inflation and adding tenant protection provisions for just-cause evictions.	Pass	53%	47%	Santa Clara
City of Mountain View Rent Stabilization Ordinance (Measure W)	Ordinance to strengthen tenant protections with just-cause eviction provisions	Fail	49%	51%	Santa Clara
City of Cupertino's Vallco Town Center Specific Plan Initiative (Measure D)	Enacts the Vallco Town Center Specific Plan for mixed use business and housing development	Fail	45%	55%	Santa Clara
City of Cupertino Development and Height Limits (Measure C)	Revise the city's blueprint for growth to limit development of the Vallco Shopping District	Fail	40%	60%	Santa Clara
City of Milpitas Land Use Authority (Measure K)	Grant Milpitas residents land-use authority traditionally held by the City Council, requiring a two-thirds vote from the public for any rezoning or park and open space redevelopment	Pass	84%	16%	Santa Clara
City of Sunnyvale Land Use Authority (Measure M)	Reassign land purchase, sale and lease authority from the City Council to the public, requiring that such transactions be approved by voters	Fail	49%	51%	Santa Clara

City of Santa Clara Land Use Authority (Measure R)	Reassign city-owned property sales and land use changes for public parkland, open space, or recreational facility from the City Council to the public, requiring a two-thirds vote	Pass	89%	11%	Santa Clara
City of Fairfield Land Preserve (Measure T)	Amend General Plan to allow a land preserve and open space conservation area at I-680 and Golden Hill Road	Pass	72%	28%	Solano
City of Healdsburg Affordable Housing Zoning (Measure R)	Updates Growth Management Ordinance to support increasing low- and middle income housing supply	Fail	40%	60%	Sonoma
Sonoma County Community Separators (Measure K)	Extends green space ordinance to require voter approval for any land designation change within community separators	Pass	81%	19%	Sonoma
City of Cotati Urban Growth Boundary (Measure Q)	Extend existing urban growth boundary for 30 years and update affordable housing exemption to apply only to 100% affordable developments	Pass	69%	31%	Sonoma



POSITIONS

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# INFRASTRUCTURE

## DONALD J. TRUMP'S VISION

- Transform America's crumbling infrastructure into a golden opportunity for accelerated economic growth and more rapid productivity gains with a deficit-neutral plan targeting substantial new infrastructure investments.
- Pursue an "America's Infrastructure First" policy that supports investments in transportation, clean water, a modern and reliable electricity grid, telecommunications, security infrastructure, and other pressing domestic infrastructure needs.
- Refocus government spending on American infrastructure and away from the Obama-Clinton globalization agenda.
- Provide maximum flexibility to the states.
- Create thousands of new jobs in construction, steel manufacturing, and other sectors to build the transportation, water, telecommunications and energy infrastructure needed to enable new economic development in the U.S., all of which will generate new tax revenues.
- Put American steel made by American workers into the backbone of America's infrastructure.
- Leverage new revenues and work with financing authorities, public-private partnerships, and other prudent funding opportunities.
- Harness market forces to help attract new private infrastructure investments through a deficit-neutral system of infrastructure tax credits.
- Implement a bold, visionary plan for a cost-effective system of roads, bridges, tunnels, airports, railroads, ports and waterways, and pipelines in the proud tradition of President Dwight D. Eisenhower, who championed the interstate highway system.
- Link increases in spending to reforms that streamline permitting and approvals, improve the project delivery system, and cut wasteful spending on boondoggles.
- Employ incentive-based contracting to ensure projects are on time and on budget.
- Approve private sector energy infrastructure projects—including pipelines and coal export facilities—to better connect American coal and shale energy production with markets and consumers.
- Work with Congress to modernize our airports and air traffic control systems, end long wait times, and reform the FAA and TSA, while also ensuring that American travelers are safe from terrorism and other threats.

- Incorporate new technologies and innovations into our national transportation system such as state-of-the-art pipelines, advancements in maritime commerce, and the next generation of vehicles.
- Make clean water a high priority. Develop a long-term water infrastructure plan with city, state and federal leaders to upgrade aging water systems. Triple funding for state revolving loan fund programs to help states and local governments upgrade critical drinking water and wastewater infrastructure.
- Link increased investments with positive reforms to infrastructure programs that reduce waste and cut costs. Complete projects faster and at lower cost through significant regulatory reform and ending needless red-tape.

#### KEY ISSUES

- Infrastructure investment strengthens our economic platform, makes America more competitive, creates millions of jobs, increases wages for American workers, and reduces the costs of goods and services for American consumers.
- America's infrastructure is a linchpin of private sector growth but, today, much of our infrastructure is crumbling.
- More than 60,000 bridges are considered "structurally deficient." Traffic delays cost the U.S. economy more than \$50 billion annually. Most major roads are rated as "less than good condition."
- An investigation this year by **USA Today** "identified almost 2,000 additional water systems spanning all 50 states where testing has shown excessive levels of lead contamination over the past four years." This included 350 systems that supplied drinking water to schools or day care facilities.
- According to the National Association of Manufacturers (NAM), without major improvements to our transportation systems, "the United States will lose more than 2.5 million jobs by 2025" (NAM, Build To Win, 2016). NAM estimates a "ten-year funding gap" of approximately \$1 trillion. The Trump Infrastructure Plan is aimed at achieving a target of investment to fill this gap. NAM also found that \$8 billion in infrastructure tax credits would support \$226 billion in infrastructure investment over 10 years. Innovative financing programs also provide a 10-to-1 return on investment.
- Under the failing Obama-Clinton policies, infrastructure projects across the U.S. are routinely delayed for years and years due to endless studies, layer-upon-layer of red-tape, bureaucracy, and lawsuits—with virtually no end in sight. This increases costs on taxpayers and blocks Americans from obtaining the kind of infrastructure that is needed for them to compete economically.
- According to the Wall Street Journal, "more than a dozen [energy infrastructure] projects, worth about \$33 billion, have been either rejected by regulators or withdrawn by developers since 2012, with billions more tied up in projects still in regulatory limbo." This includes coal and shale energy export facilities. Major pipelines are being blocked as well. As noted in the Wall Street Journal, blocking such projects "leaves some communities without access to lower-cost fuel and higher-paying jobs."

#### CONTRAST WITH HILLARY CLINTON

- Hillary Clinton supported NAFTA, supported China's entry into the World Trade Organization, and allowed China to run up \$1 trillion in cumulative trade deficits with the United States as Secretary of State. When she sent American jobs overseas, she also sent our tax base that supports our infrastructure. She rebuilt foreign countries, while America's infrastructure crumbled.
- With Hillary Clinton's full support, the Obama Administration spent more than \$840 billion in taxpayer dollars on the "stimulus" program, which they dishonestly sold to the American people on the basis that the money would go to "shovel-ready" infrastructure projects. Yet, only 1% of the stimulus was invested in our nation's drinking water systems. Less than 5% overall actually went toward America's infrastructure. Billions were wasted on giveaways to their political friends and cronies.
- Hillary Clinton proposes a massive \$275 billion tax increase on American businesses to help fund an "infrastructure bank" that is controlled by politicians and bureaucrats in Washington DC.

- Her tax hikes will drive more businesses and jobs out of America, further hollowing out our industrial and manufacturing base.
- Since Hillary Clinton will do nothing meaningful to fix the broken permitting and regulatory bureaucracy, very little real progress or improvements to our nation's infrastructure will ever take place. Hillary Clinton will also continue to block major infrastructure projects like the Keystone XL pipeline.
- Hillary Clinton supports "open trade and open borders" which places America's transportation systems, financial systems, and economic systems at grave risk.

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Report

McKinsey Global Institute

October 2016

# Closing California's housing gap

By [Jonathan Woetzel](#), [Jan Mischke](#), Shannon Peloquin, and Daniel Weisfield

The McKinsey Global Institute provides a tool kit for fixing a chronic housing shortage in the world's sixth biggest economy.

**Access to decent, affordable housing** is so fundamental to the health and well-being of people and the smooth functioning of economies that it is embedded in the United Nations Universal Declaration of Human Rights. Yet in developing and advanced economies alike, cities struggle with the dual [challenges of housing](#) their poorest citizens and providing housing at a reasonable cost for middle-income households.

In a new McKinsey Global Institute report, *A tool kit to close California's housing gap: 3.5 million homes by 2025*, we look specifically at the US state of California and offer remedies for fixing a chronic housing shortage. Our objective is to provide rigorous, fact-based analysis on a charged issue, and to present a practical blueprint for how cities, state authorities, the private sector, and citizens can work together to [unlock housing supply](#) and ensure housing access.

To understand the nature of the problem, we built a quantitative model to identify California's housing affordability gap by household and location. To do this, we segmented the state's more than 12 million households into 34 housing markets and 16 income bands, and assessed each household's ability to afford housing in their local market. We learned that 50 percent of California's households cannot afford the cost of housing in their local market. Virtually none of California's low-income and very-low-income households can



afford the local cost of housing.

Our model also allowed us to generate detailed, local insights into who can and can't afford housing, where they live, and how much they pay. For instance, we learned that the problem is both rural and urban: while metropolises such as Los Angeles and San Francisco suffer from high housing prices, so do rural communities such as Watsonville and Salinas, where 50 to 60 percent of households are unable to afford the cost of housing. We also learned that high housing costs not only impact [low-income households](#), but also squeeze California's middle class. In Anaheim, Long Beach, and Los Angeles, households earning up to 115 percent of area median income, or \$69,800 per year, are unable to afford local housing costs. In the city of San Francisco, a household earning \$140,000 per year, or 179 percent of area median income, is squeezed.

In dollar terms, we learned that each year Californians pay \$50 billion more for housing than they are able to afford. In total, California's housing shortage costs the state more than \$140 billion per year in lost economic output, including lost construction investment as well as foregone consumption of goods and services because Californians spend so much of their income on housing.

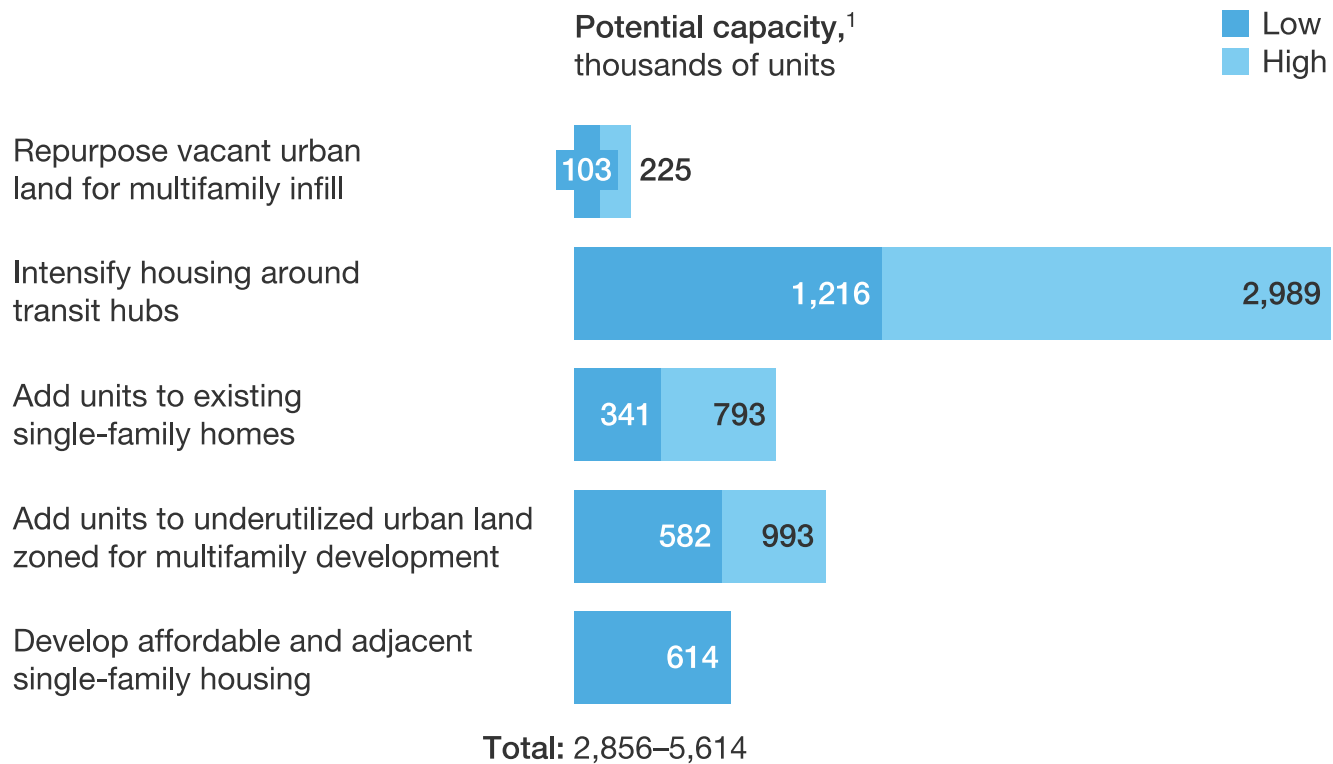
After quantifying California's affordability gap to understand the size and distribution of the problem, we analyzed land across the state, parcel by parcel, to identify "housing hot spots" where large amounts of housing could be developed with attractive returns. McKinsey's geospatial analytics team mapped cities such as Fresno, Los Angeles, and San Francisco and counties such as Contra Costa, Sacramento, and San Bernardino to identify opportunities to build housing.

We identified physical capacity to add more than five million units in "housing hot spots." This is more than enough to close the state's housing gap. More than a quarter million of these units could be built on urban land that is already zoned for multifamily development and is sitting vacant. Up to 3 million units could be built within a half-mile of high-frequency public-transit stations. More than 600,000 could be added by homeowners to existing single-family homes.



**Exhibit**

## California has room to build more than five million new units in 'housing hot spots.'



<sup>1</sup>Highly conservative estimate, based on only 3 counties: Contra Costa, Sacramento, and San Bernadino.

McKinsey&Company | Source: McKinsey Global Institute analysis

What are the barriers to converting these five million potential units into actual homes? There are many—whether regulatory, political, economic, or cultural. California's challenge is to overcome these barriers, unlock supply on high-potential land, cut the cost and risk of producing housing, and ensure that low-income and vulnerable individuals who are priced out of the market have access to housing. To that end, we analyzed the current barriers to housing development in California and identified the public-sector and private-sector innovations with the highest potential to unlock new supply. These

range from changing the rules to incentivize local governments and accelerating the land-use approval process to boosting construction productivity and deploying modular construction techniques.

Working together, cities, state authorities, business, and citizens can close the housing gap—but solutions must be highly tailored to local needs, and government, business, and citizens all need to step up to the challenge. We identified a five-step process for communities to close the local housing gap: create a housing delivery unit, define the local problem, identify local solutions and map “housing hot spots,” align stakeholders behind a local strategy, and execute the strategy and measure performance.

Our hope is that the analysis contained in this paper will serve as a blueprint to help communities in California—and beyond—close the housing gap. This is critical for improving social equality, enhancing quality of life, and boosting regional economic competitiveness.

*[Download an appendix of maps](#) that details the extent of the housing challenge across the state and that identifies the “housing hot spots” that present an opportunity to close the gap. (PDF–1.71MB).*

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## ***About the author(s)***

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