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April 19, 2012

Metropolitan Transportation Commission (MTC)
Association of Bay Area Governments (ABAG)
101 Eighth Street
Oakland, CA 94607

Dear Steve Heminger and Ezra Rapport:

SPUR commends MTC and ABAG staff on the difficult work of putting together the Bay Area's first Sustainable Communities Strategy (SCS). In addition to the challenge of incorporating a major new land use focus into the Regional Transportation Plan, it is even more difficult to do so with no new staff resources and in a post-Redevelopment era with fewer tools to achieve focused growth.

SPUR has reviewed the Jobs-Housing Connection Scenario, dated March 9, 2012, and the Draft Plan Bay Area Investment Strategy, dated April 6, 2012, and we offer the following comments and recommendations on both those documents.

We support many of the ideas contained in these documents. We support the concept of focusing growth into priority development areas (PDAs), particularly where there is local support. This regional/local collaboration has been a hallmark of the success of the Focus program. We recognize that not all PDAs are equal in terms of market conditions and transit capacity. But the basic idea of using regional criteria to establish a PDA and committing a share of regional resources to support PDAs is worth continuing.

We applaud ABAG for noting the relationship between additional housing production and job growth and for arguing that the region's job base would grow further with additional housing. We are encouraged that ABAG has highlighted the long-standing challenge of job decentralization.¹ As SPUR argues in our recent report *The Urban Future of Work* increasing employment (and residential) densities is important for strengthening economic competitiveness as well as achieving environmental goals.² Finally, we commend MTC staff on its project performance assessment and the call for increasing funding for maintenance ("Fix It First").

However, we are concerned that the draft Jobs-Housing Connection Scenario and draft Plan Bay Area Transportation Investment Strategy do not meet the spirit or perhaps even the letter of SB 375 in their implementation of the two key goals of the legislation:

- Housing the region's *entire* population at all income levels, and
- Reducing per capita greenhouse gas emissions by 15% per capita in 2035 primarily through changing land use patterns.

¹ According to the memo MTC commissioned from the Center for Transit Oriented Development, since 1990, the total number of jobs in PDAs/GOAs has declined by 100,000, a percent decline from more than 52 percent to below 48 percent of total regional employment. See: "Historic and Projected Employment Trends in the Bay Area" dated March 19, 2012.

² See: http://www.spur.org/files/event-attachments/SPUR_The_Urban_Future_of_Work.pdf

This letter has five separate recommendations, offered in the spirit of supporting the best possible and most transparent Sustainable Communities Strategy and Regional Transportation Plan for the Bay Area:

- I. Increase regional housing growth totals to include housing for all Bay Area workers and to support 110,000 additional jobs.
- II. Clarify how the scenario achieves the 9 percent per capita reduction in greenhouse gases (GHG).
- III. Clarify the land use allocation with a map, a better explanation of the methodology and the specific land use policies that achieve the growth pattern.
- IV. Close the GHG gap through policies that reduce the demand for automobile use and help achieve focused land use patterns.
- V. Incorporate consistent support for focused growth and high-performing transit projects in other transportation investment strategies.

I. Increase regional housing growth totals to include housing for all Bay Area workers and to support 110,000 additional jobs.

The draft Jobs-Housing strategy claims to house the entire region while at the same time arguing that in commuting will necessarily increase.³ It does so by arguing that the Bay Area has constraints on its ability to sufficiently build housing. It even notes that the total number of regional jobs would be 110,000 higher with additional housing production.

We are very aware of the difficulties of building housing and the reality that some workers will still choose less expensive housing outside of the nine-county region even if their jobs are in the Bay Area. But that reality should not be an argument for the region to assume a lower housing or employment figure. It is the very purpose of regional planning and the intent of SB 375 and its Sustainable Communities Strategy to identify the true housing need of each region and the constraints that must be overcome in order to meet that need.

Failure to plan for the Bay Area's full housing gives the appearance of a self-reinforcing argument that the region cannot add sufficient housing because local governments place constraints on housing production. This argument in effect says, our job growth is constrained by the limited amount of housing local governments are willing to build. That means we will then not ask local governments to plan for sufficient housing (because we are assuming fewer jobs). In the end, this means even less housing is actually approved and built, and the region becomes that much more unaffordable and slower growing.

Our interpretation of SB 375 is that "all the population of the region" means that we must *plan for housing for all the people with jobs in the region* and not assume some of those people will be housed outside of the region.⁴ We make this argument in our memo from June 2011.⁵ Our interpretation would likely mean an increase in the total housing figures.

³ The Jobs-Housing Connection Scenario states that 660,000 housing units "will allow the region to house all its population in 2040." Yet the scenario also notes that the "rate of net in commuting will remain at 2010 levels," which "implies a small increase in in commuting proportionate to the increase in total jobs in the region". See: Jobs-Housing Connection. p.9 and 62.

⁴ The specific language of SB 375 states that the SCS shall "identify areas within the region sufficient to house all the population of the region, including all economic segments of the population, over the course of the planning period of the regional transportation plan taking into account net migration into the region, population growth, household formation and employment growth". See: http://www.leginfo.ca.gov/pub/07-08/bill/sen/sb_0351-0400/sb_375_bill_20080930_chaptered.pdf

⁵ See: "Re: SPUR comments on Sustainable Communities Strategy/Regional Transportation Plan (SCS/RTP) scenarios". Available at: <http://www.spur.org/files/SPUR%20letter%20to%20MTC%206.21.11.pdf>

The current scenario appears to interpret SB 375 to say that we do *not* need to plan for all the housing for people who work in the Bay Area so long as the overall *percent* of in commuting does not go up. For example, if total Bay Area jobs increase from 3.4 to 4.5 million, ABAG assumes that the actual number of people with Bay Area jobs who live outside of the region will increase, even if the percent of people who in commute stays the same.

It is a legal debate as to whether or not this assumption violates the letter of the law. But we think it clearly violates the spirit of SB 375. SB 375 expects each region to identify housing for all new jobs in that region and not assume these people will be housed in other regions.

In addition, SPUR differs with the scenario's argument that "total job growth is constrained by our ability to produce housing." We recognize that the inability to produce housing will constrain job growth, and we commend staff for noting this relationship.⁶ However, if more housing production would increase job growth, the plan must identify both the needed increment of housing and the additional job growth that would be associated with meeting all housing needs.

The scenario does not make clear why the region is constrained in its ability to produce housing or which policies or tools might allow us to vary from past trends.

Our constraints in the Bay Area are primarily political, not economic or spatial. The ability to produce sufficient housing is constrained by local governments' unwillingness to zone and approve housing. We have lots of room for infill development – in all areas of the region.

The following are our questions about the overall growth figures, which we encourage regional agency staff to answer or clarify in the final RTP/SCS document:

- How much of the region's true housing need is included in the 660,000 projected housing units?
- Does this include housing for all income levels?
- How many additional units outside the region are projected to house in commuters?
- Do we know where these in commuters will live and the travel and GHG impacts of growth in those locations?
- The scenario states, "New housing must also be more affordable."⁷ How will this be possible if the region is not building sufficient housing for all the jobs it is creating?

II. Clarify how the scenario achieves the 9 percent per capita reduction in greenhouse gases (GHG).

The scenario is not clear about how it achieves the per capita GHG reduction and the relative role of land use changes, demographic assumptions (income, age, employment participation), pricing and transportation investments.

For greater clarity, we suggest that ABAG use the following table in the final version of the scenario to make clear how each component contributes to per capita GHG reductions:

⁶ See: "According to Steve Levy, from the Center for Continuing Study of the California Economy, the region could capture another 110,000 jobs of the total national growth. However, the total job growth is constrained by our ability to produce housing, which is ambitiously estimated at 660,000 new units by 2040." p.8.

⁷ Jobs-Housing Connection Scenario p. 38

	<i>Percent change in GHG per capita</i>
Demographic changes (age and labor force participation)	
Economic changes (income distribution)	
Employment changes (total jobs relative to prior Projections, types of industry)	
Land use (housing location)	
Land use (job location)	
<i>Subtotal GHG (currently 9%)⁸</i>	
Transportation investments	(currently 0%)
<i>Subtotal land use + demographics + economy + transportation</i>	
Pricing (gas, bridge tolls, transit fares)	
<i>Subtotal land use + demographics + economy + transportation + pricing</i>	
Additional policy changes	<i>Remaining gap (currently 6%)</i>
<i>Total per capita GHG reduction (15%)</i>	

Such a table would help answer the following questions:

- How much of this 9% reduction comes from land use changes alone?
- How much of it comes from changes in other assumptions (such as age and income distribution)?
- What was the methodology to determine these differences?

In addition to these general questions, the following are specific questions about the key demographic assumptions.

- Why does the percent of “Above Moderate” income decline from 42% in 2010 to 39% in 2040? If the plan assumes an increasing share of knowledge sector jobs and a decline in middle income, it would be expected that the Moderate income would decline faster while the Above Moderate levels as a share would increase.
- What is the GHG implication of a decline in the Above Moderate income share from 42% to 39%?
- What are the assumptions of the employment and driving rates by age group? How are those determined?

⁸ This per capita reduction level is not noted in the draft scenario but was instead noted in staff presentations.

III. Clarify the land use allocation with a map, a better explanation of the methodology and the specific land use policies that achieve the growth pattern.

We do not think the scenario makes clear how it will achieve focused growth or even how focused the proposed land use pattern truly is. In particular, based on the information in the current Jobs-Housing Scenario, we are not clear about what specific land use changes are proposed in the scenario, nor what specific policies were analyzed to achieve the described land use distribution.

Additionally the scenario does not have a business as usual or base case to allow the reader to understand how the scenario varies from a standard land use pattern that would ordinarily occur in the absence of the SCS.

Part of this would be clearer with better maps. As a result, we strongly urge ABAG to include maps in the SCS that show specifically where growth is going. The maps of PDAs do not include information that allows one to assess the implications of the growth scenario or how the allocation differs from prior projections.

We also request that the final version of the PDAs include the specific sets of policies that were run through the model to achieve the land use pattern of the SCS. For example, the SCS should identify the relative densities in key places, as well as policy changes such as new tax policies or urban growth boundaries.

The following are additional questions or clarifications about the land use allocation process:

- Was there an analysis of capacity (zoning and other land use constraints) in the allocation of jobs and housing throughout the region?
- Was there an analysis of market or economic feasibility in the allocation of housing and jobs throughout the region?
- What are the assumptions for how much greenfield land will be developed under this scenario?
- The scenario states that it will accommodate “more than two thirds of housing production in Priority Development Areas.” What analysis was done to determine the current capacity of PDAs and whether or not this figure is reliable? Was there any analysis done to determine if there is sufficient space (zoned plus soft sites) in PDAs to fit both the jobs and the housing?
- How does this scenario compare with the prior scenarios developed over the past year as well as Projections 2009?
- As a related question, are the figures in this Scenario “Projections 2011” or are they “Projections 2013” or has the SCS process replaced ABAG’s long-standing Projections product?
- How did staff distinguish between different types of PDAs in the allocation?
- What data or information was used to determine current conditions in the places where growth is allocated?
- What was the role of the Urban SIM model in the growth allocation?
- How sensitive are the assumptions for employment location to issues of rising costs in the urban core? For example, how does the plan acknowledge the relationship between increasing employment density in the core and the lack of growth controls at the edges, which provides a cost-effective way to shift jobs out of the core?

- Does the scenario rely on public investment in infrastructure and affordable housing in order to achieve the level of proposed infill development in the PDAs? If so, what are the implications of a post-redevelopment world on the viability of the growth allocations?

IV. Close the GHG gap through policies that reduce the demand for automobile use and help achieve focused growth.

The current SCS/RTP achieves a nine percent per capita reduction, six percent short of the 2035 goal. The policies included in the MTC strategy “Close the GHG gap” are too heavily focused on improving the efficiency of vehicles. While changing the speed limit could have significant impact on lowering per capita emissions, we think the spirit of SB 375 is really about changing future land use in a way that will reduce automobile dependency.

The following are our comments and questions about the specific proposals in MTC’s Transportation Investment Strategy #1: “Close the GHG Gap.”

We are skeptical of the need for regional investment in electric vehicle purchasing and infrastructure. There is increasing private sector investment and a growing private market. If MTC wishes to invest scarce public dollars in such systems or programs, these programs must be evaluated on the basis of cost per ton of CO₂ reduced. The investments and per capita GHG reductions from car sharing and vanpooling demonstrate how modest investments in those areas are much more cost effective.

We think MTC should eliminate the distinction between Option A and B and instead provide decision-makers with a list of policies and programs ranked by cost per ton of CO₂ reduced. See SPUR’s *Critical Cooling* paper from 2009 for a methodology of “least-cost planning.”⁹

We also think there is a need to provide some robust explanation of the assumptions behind the per capita emissions reductions for each of the proposed policies and programs. MTC should also clearly explain how these “climate policy initiatives” would not involve any double counting of emissions reductions that are already included in the AB 32 scoping plan.

Instead of this focus on vehicle efficiency, we think instead that the “Close the GHG gap” strategy should focus on reducing the demand for driving and encouraging more concentrated land development. Many of the following recommendations are made in SPUR’s report *The Urban Future of Work*.¹⁰

Approach 1: Reducing the demand for driving

Road pricing

SPUR reiterates our call for MTC to explore a plan of road pricing as part of the RTP/SCS.¹¹ By road pricing, we are referring to open lane tolling that has the triple benefit of helping achieve the GHG goal, helping achieve the focused growth pattern, and raising revenue for both highway maintenance and transit operations.¹²

⁹ SPUR. *Critical Cooling*. 2009. Available at: http://www.spur.org/publications/library/report/critical_cooling

¹⁰ See: http://www.spur.org/files/event-attachments/SPUR_The_Urban_Future_of_Work.pdf

¹¹ See: page 3 of <http://www.spur.org/files/SPUR%20letter%20to%20MTC%206.21.11.pdf>

¹² We are cognizant of some of the equity considerations of such proposals. Given this, the pilots must be able to demonstrate the ability to provide significant net revenue for parallel transit service. In addition, qualified households should receive a certain number of free tolls as a credit to Fasstrak accounts.

The freeway system is mostly 50 years old and at the end of its useful life and must be rebuilt. However, the main revenue source -- fuel taxes -- will almost certainly decrease at an exponential rate as fleet fuel mileage increases and electric vehicles proliferate. Tolls are the best regional funding solution. MTC should use this SCS/RTP process to educate the public and policymakers about the implications of this loss of fuel tax funding, as well as the overall need.

Specifically, we call for a pilot program of full-lane road tolls on I-80 between the Carquinez Bridge and the Bay Bridge. In addition, we propose exploring full lane road tolls on US-101 and I-280 from San Francisco to San Jose as part of a funding strategy for high-speed rail and other transit.

Vehicle Miles Traveled (VMT) tax

As proposed in the Southern California Association of Governments (SCAG) RTP/SCS, MTC should consider a 5 cent VMT tax that replaces the current state (and potentially federal) gas tax.¹³ Instead of assuming such a tax as part of the overall GHG reduction plan, MTC should put this concept into its state and federal legislative package.

Parking policies

The following are a sample of some of the parking policies that could be included within the RTP/SCS:

- Eliminate free parking at commuter rail stations such as BART and Caltrain station areas.
- Support state legislative changes to eliminate parking minimums and establish parking maximums in particular transit-served locations. Such policies (like AB 710) prevent jurisdictions from requiring more than 1 parking space per residential unit or per 1,000 square feet of retail space. Such policies should also apply to commercial development in transit areas.
- Pilot demand-based parking pricing in station areas and particularly commercial shopping districts.
- Encourage parking cash-out programs at employment centers whereby employers charge for parking but reimburse employees for taking alternative modes to work.

Approach 2: Encouraging more concentrated land development

Indirect Source Rule

MTC and ABAG should take a leadership role in working with BAAQMD to establish a region-wide indirect source rule (ISR). An ISR attempts to price the indirect emissions associated with development. The ISR is a tool to impose additional costs on auto-oriented development and to provide other tools (such as transit passes or shuttles) to change travel behavior.

Change MTC's transit expansion policy

MTC should change its transit expansion policy to incorporate employment and commercial density as a consideration for transit expansion funds. Having employment near transit is a greater indicator of likelihood to commute via transit than having housing near transit.

Investment in Transit Priority Projects

¹³ See "Mileage-Based User Fee": http://rtpscs.scag.ca.gov/Documents/2012/draft/2012dRTP_03_Financial.pdf

MTC should provide additional financial incentives for transit priority projects that are consistent with SB 375. This would be in addition to the CEQA streamlining that is identified in SB 375. For example, MTC should commit a portion of its One Bay Area Grant program towards transit priority projects. This commitment is more specific than the current commitment towards PDAs. As a change to the provisions of SB 375, SPUR argues that the transit priority projects should consist not only of those that are greater than 50 percent residential, but also dense commercial projects that are in transit zones.

Tax policy

MTC and ABAG should advocate for specific changes to Proposition 13 that support the region's overall goals.

- This first idea would be to “split” commercial property taxes from the residential ones by allowing commercial taxes to increase at a faster rate or float to market while keeping homeowner rates unchanged. This approach could then have a transit overlay to allow for reinvestment in transit zones through tax cuts or credits. Such an approach would be akin to a new statewide redevelopment program financed by the growth in revenues from commercial property taxes.
- The second change would be to explore how homeowners could more easily transfer their Prop. 13-protected tax rates, in specific circumstances, across county lines. Many “empty nesters” remain in their homes even when other housing would be preferable simply because of the inability to transfer their old tax rates over county boundaries. Some counties have reciprocity but the lack of a statewide approach creates less of a financial incentive for people to move.

Tax sharing

ABAG and MTC should put into their legislative agenda a pilot project in the Bay Area to test sales or property based tax sharing at the regional or subregional level. SPUR is currently studying this concept.

V. Incorporate consistent support for focused growth and high-performing transit projects in other transportation investment strategies.

Finally, we wanted to offer the following brief comments on several of the other draft transportation investment strategies:

MTC Transportation Investment Strategy #3: Apply the OneBayArea Grant Framework

SPUR strongly supports the OneBayArea Grant (OBAG) proposal and framework. In particular, we think the program's success hinges on its ability to focus resources in areas that support the land use vision of the Bay Area. This means keeping 70 percent of the funds to support PDAs.

We encourage staff to refer to the goals of OBAG as rewarding jurisdictions that produce *both* housing *and* employment near transit. By excluding employment location from the goals of OBAG, staff misses an important opportunity to educate local policy and decision makers about the regional benefit of increasing the share of jobs near transit. There is significant evidence that putting jobs near transit is more likely to increase transit commuting than putting only housing

near transit.¹⁴ Given how the SCS identifies continued job sprawl and jobs shifting away from PDAs, increasing the region's share of jobs near transit must be a key priority.

We are concerned about the expansion of the PDA definition to include Rural Corridor and Employment Center place types. Expanding the PDA definition to include too broad a range of places undermines the very notion of focusing growth. There is clearly a need for better planning for job centers. A PDA definition for Employment Centers that does not include strict transit criteria is not the way to accomplish this.

MTC Investment Strategy #4: Fund High-Performers

SPUR supports the concept of funding the highest performing transportation projects. We agree with the New Starts ranking.

We encourage MTC to use a performance-based process to distribute the \$660 million Small/New Starts reserve pot of funds. We should spend such funds in a way that puts the greatest number of total riders onto transit.

We do want to note our strong support for the BART Metro project and program. Some of the ideas in BART Metro were highlighted in our 2009 paper.¹⁵ We recognize that although BART Metro scored highest among all regional projects, it is early in its development and is not a new expansion project per se. As a result, we encourage MTC to include BART metro within Strategy #5, given that it is in many ways an efficiency project that saves operating costs.

MTC Investment Strategy #5: Squeeze More Efficiency Out of Our Existing System

SPUR supports a robust regional program of demand management. We argued earlier in this letter for a regional road pricing policy and program. However, not all of what is included in strategy #5 is arguably demand management.

For example, of the Express Lane Network's 290 proposed miles of new HOT/HOV lanes, 120 of them are new lanes. This is a strategy to finance adding capacity, not to increase efficiency. We argue that the Express Lane Network should eliminate an approach that adds new highway lanes, particularly at the region's edges, given that such an approach will likely induce more travel and thus more greenhouse gas emissions. Instead, we support converting existing HOV lanes to HOT lanes and agree that such an approach is an "efficiency" strategy. However, we caution MTC to ensure that the sunk costs of these conversions do not preclude full lane pricing in the future.

We do not think that all aspects of the Freeway Performance Initiative (FPI) should be considered demand management. This is a significant program that should have a more explicit focus on transit and demand management strategies that directly align with the broader goals of the SCS/RTP. We call on MTC to better clarify what is included within the FPI and how it will be integrated with the Transit Performance Initiative (TPI).

There are many needs for studies and projects to better manage demand on the region's highways, including the Bay Bridge Corridor and congested areas along 101 linking San Francisco and San Jose.

¹⁴ See Kolko et al. "Making the Most of Transit: Density, Employment Growth, and Ridership around New Stations." http://www.ppic.org/content/pubs/report/r_211jkr.pdf

¹⁵ See: http://www.spur.org/files/event-attachments/SPUR_The_Future_of_Downtown_San_Francisco.pdf

Finally, Strategy #5 lacks a focus on securing greater efficiencies from the transit system. As a result, we encourage MTC to shift both BART metro and the Transit Performance Initiative into this strategy.

MTC Strategy #6: Make the Transit System Sustainable

SPUR was a big supporter and active participant in MTC's Transit Sustainability Project. We included nine specific recommendations to implement the TSP in our report titled, "A Better Future for Bay Area Transit."¹⁶ Few of those ideas are part of the proposed set of policies under Strategy #6.

We are very supportive of the concept of establishing a \$500 million Transit Performance Initiative. However, we think this concept might be more appropriately identified within Strategy #4.

We think this program is a great start and would like to see this "TPI" expanded in both size and scope. For example, we want to make sure that the TPI could fund both investments in small on-street improvements (such as signal priority) as well as larger capital investments such as BART Metro.

Finally, we recommend that MTC establish a transparent process to identify what types of projects are eligible for the Transit Performance Initiative.

In closing, we thank you for the opportunity to provide comments on the draft SCS/RTP. We look forward to your responses and ongoing collaboration.

Regards,



Egon Terplan
Regional Planning Director, SPUR

¹⁶ See: http://www.spur.org/files/event-attachments/SPUR_A_Better_Future_for_Bay_Area_Transit.pdf