



Noah Berger

Housing Forecast

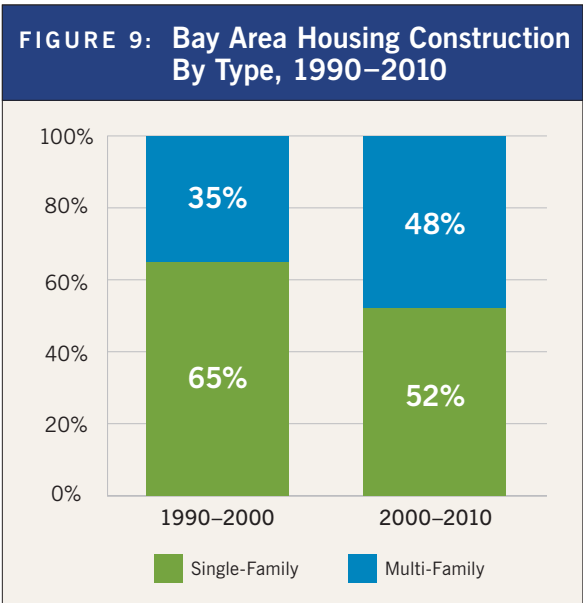
The Association of Bay Area Governments based its housing production forecast on expected household income and demand, past housing production trends, and local plans (including planned zoning changes). It also assumed the following:

- Existing policies and programs to produce housing will be retained and enhanced.
- A replacement mechanism will be found to fund and implement many of the functions that were performed by California redevelopment agencies before Gov. Jerry Brown signed legislation abolishing those agencies in June 2011.
- Some aging baby boomers will move to residential care facilities or other group housing.
- An estimated 40,000 vacant or foreclosed homes will be reabsorbed into the region's housing supply.

Demand for Multi-Unit Housing in Urban Areas Close to Transit Expected to Increase

The Bay Area has produced an average of just over 23,000 housing units annually since the 1980s. Single-family homes represent the major-

ity of housing production in recent decades. Most of these homes were built on undeveloped land in suburban locations that provided housing for the post-war baby boom generation and their families. However, according to the Urban Land Institute's *What's Next? Real Estate in the New Economy* (2011), recent trends suggest that cities once again are becoming centers of population growth, including in the Bay Area. On average, construction of multifamily housing in urban locations in the Bay



Source: U.S. Census

Bay Area Housing Market Appreciation

In January 2013 the real estate information service Zillow analyzed 30 metropolitan housing markets nationwide. It predicted that the San Francisco and San Jose metro areas will be among the top markets experiencing home value appreciation in 2013. Zillow ranked the San Francisco metro area (including San Francisco, Marin, San Mateo, Alameda and

Contra Costa counties) number four in the country for potential home value appreciation and predicted that median home prices will rise by 7 percent in 2013. Zillow ranked the San Jose metro area number seven and predicted that median home prices will also rise by 7 percent. Although these predicted growth rates are slower than housing market appreciation in 2012, they suggest that Bay Area homeowners will continue to benefit — and Bay Area homebuyers will continue to struggle — due to high housing costs.

TABLE 11: Top U.S. Markets for 2013 Home Value Appreciation			
Metro area	Median home value December 2012	Change from December 2011	2013 appreciation forecast
Riverside	\$197,400	9.3%	12.5%
Sacramento	225,200	11.7%	11.9%
Phoenix	157,800	22.5%	8.5%
San Francisco*	526,200	14.0%	7.3%
Los Angeles	414,900	7.9%	7.3%
San Diego	373,400	10.0%	6.7%
San Jose	630,800	15.4%	6.6%
Seattle	270,500	6.5%	4.6%
Nationwide	\$157,400	5.9%	3.3%

*Includes San Francisco, Marin, San Mateo, Alameda and Contra Costa counties.
Source: *San Francisco Chronicle*, "Zillow expects home values in San Francisco to grow but also slow," January 22, 2013.

Area increased from 35 percent of total housing construction in the 1990s to nearly 50 percent in the 2000s (see Figure 9), and in the year 2010 it represented 65 percent of all housing construction.

Based upon the emerging demographic changes and employment growth forecasts previously discussed, an annual average of approximately 22,000 units or 660,000 new homes are forecast to be constructed by 2040. Demand for multifamily housing is projected to increase as seniors downsize and seek the greater access to shops and services that urban locations provide. Market demand for new homes will tilt toward townhomes, condominiums

and apartments in developed areas. These homes are typically closer to transit, shops and services than are homes in the single-family developments of earlier decades.

Market demand for housing near transit also is expected to increase. According to the University of Southern California Population Dynamics Research Group's *The 2010 Census Benchmark for California's Growing and Changing Population* (2011), people aged 55 and over are more likely to prioritize public transportation, walking, access to shops and services, and multifamily housing than do other age groups. Young singles prefer similar locations

TABLE 12: Population Growth by County, 2010–2040

County	2010	2040	Percent
Alameda	1,510,270	1,987,950	32%
Contra Costa	1,049,030	1,338,440	28%
Marin	252,410	285,400	13%
Napa	136,480	163,680	20%
San Francisco	805,240	1,085,730	35%
San Mateo	718,450	904,430	26%
Santa Clara	1,781,640	2,423,470	36%
Solano	413,340	511,600	24%
Sonoma	483,880	598,460	24%
Total*	7,150,740	9,299,150	30%

*Sum of county totals may not match regional totals due to rounding.

Source: ABAG, 2013

with urban amenities, and they prioritize short commutes. These demographic changes represent substantial shifts that are expected to contribute to the Bay Area’s recovery from the Great Recession. For example, the regional real estate market already is showing signs of recovery. (See “Bay Area Housing Market Appreciation” sidebar for more detail.)

The current single-family housing stock provides a large supply relative to future demand, and an

oversupply is projected by 2040. This oversupply is expected to dampen production of multifamily housing, as some households opt instead for single-family homes that are made more affordable due to the excess supply. Despite lower demand for newly constructed single-family homes, some production will occur as the Bay Area housing market gradually adjusts to these changing demographics.

Looking Ahead at Providing Housing and Mobility for Our Workforce

The demographic forecasts summarized in this chapter were used to develop the land use distribution discussed in Chapter 3. The population, employment and housing forecasts provide information to help determine how the region will house its new residents looking forward to 2040. It should be noted that Plan Bay Area and its related forecasts will be updated every four years.

The forecasts and future land use distribution also will affect Bay Area travel patterns. These patterns include who is traveling, where travelers are going, and when people are using the region’s transportation system. All these factors influence how the region will house its workforce and provide transportation choices that will increase access to people’s homes and jobs.



Billy Hustace

A full-page photograph of a middle-aged man with a mustache, smiling at the camera. He is wearing a white dress shirt and a patterned tie. A black strap, possibly from a bag, is over his shoulder. He is holding the tie with his right hand. In the background, a train is visible, with the letters 'BA' and 'ART' partially seen on its side. The entire image has a blue color cast.

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Where We Live, Where We Work



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Chapter 3

Where We Live, Where We Work

ABAG and MTC developed a variety of land use and transportation scenarios that distributed the total amount of growth forecasted for the region to specific locations.

These scenarios sought to address the needs and aspirations of each Bay Area jurisdiction, as identified in locally adopted general plans and zoning ordinances, while meeting Plan Bay Area performance targets adopted by the agencies to guide and gauge the region's future growth.

The framework for developing these scenarios consisted of Priority Development Areas (PDAs) and Priority Conservation Areas (PCAs) recommended by local governments. ABAG and MTC created the scenarios through a transparent, deliberative process, during which public input was sought at every step along the way. After further modeling, analysis and public engagement, the five initial scenarios were narrowed down to a single preferred land use scenario. This scenario and resulting development pattern represent the Sustainable Communities Strategy (SCS) that Plan Bay Area must include in the Regional Transportation Plan, as mandated by Senate Bill 375.

The preferred land use scenario is a flexible blueprint for accommodating growth over the long term. Pairing this development pattern with the transportation investments and policies described in Chapter 4 is what makes Plan Bay Area the first truly integrated land use and transportation plan for the region's anticipated growth.



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A More Focused Future

As required by SB 375, the land use distribution in Plan Bay Area identifies the locations that can accommodate future growth, including the scale and type of growth most appropriate for different types of locations. In order to meet the Bay Area's greenhouse gas (GHG) emissions reduction and housing targets, and to make progress toward meeting the other adopted performance targets, the plan encourages future job and population growth in established communities with access to existing or planned transportation investments. The land use pattern seeks to achieve four comprehensive objectives:

- 1 Create a Network of Complete Communities** — Building on the PDA framework of complete communities that increase housing and transportation choices, the plan envisions neighborhoods where transit, jobs, schools, services and recreation are conveniently located near people's homes.

- 2 Increase the Accessibility, Affordability and Diversity of Housing** — The distribution of housing in the Bay Area is critical, given its importance to individuals, communities and the region as a whole. The Bay Area needs sufficient housing options to attract the businesses and talented workforce needed for a robust future economy.
- 3 Create Jobs to Maintain and Expand a Prosperous and Equitable Regional Economy** — The plan seeks to reinforce the Bay Area's role as one of the most dynamic regional economies in the United States. It focuses on expanding the existing concentration of knowledge-based and technology industries in the region, which is a key to the Bay Area's economic competitiveness.
- 4 Protect the Region's Unique Natural Environment** — The Bay Area's greenbelt of agricultural, natural resource and open space lands is a treasured asset that contributes to residents' quality of life and supports regional economic development.

Land Use Distribution Approach

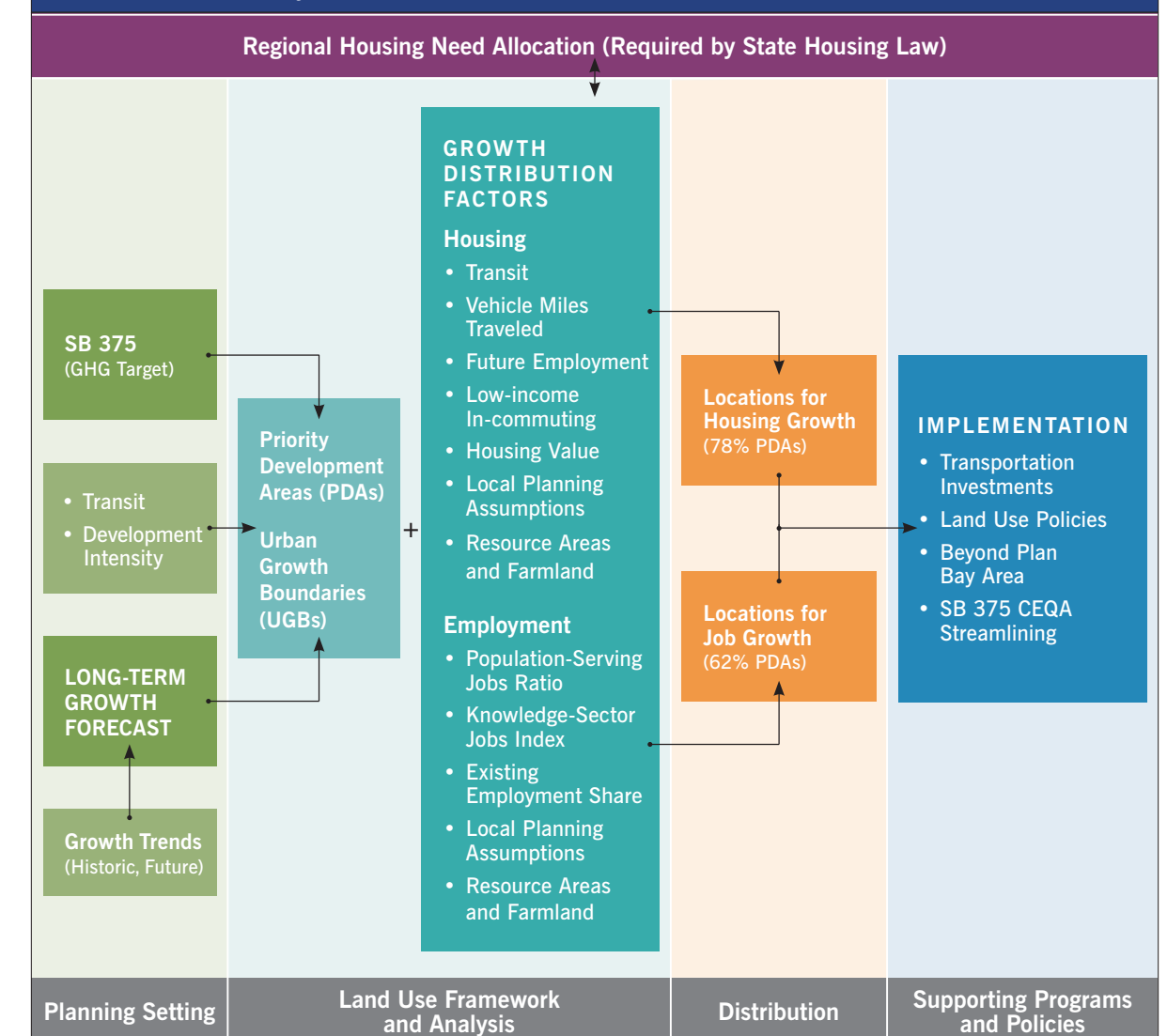
There are two main inputs for the Plan Bay Area land use distribution process (Figure 10). The first input is California Senate Bill SB 375, under which the Bay Area is required to identify a land use pattern that will:

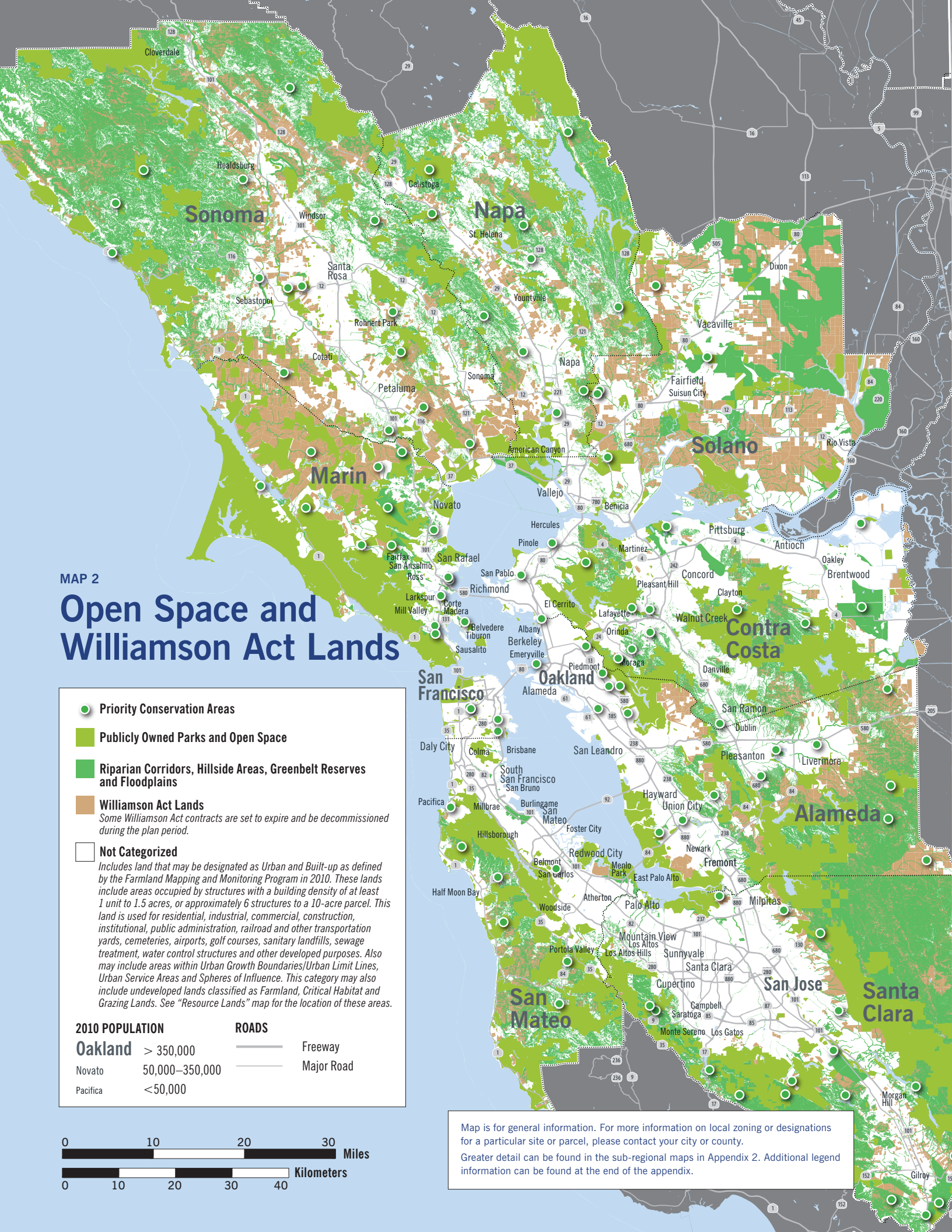
- 1 Help the Region Achieve Its GHG Emissions Reduction Target** of reducing per-capita CO₂ emissions from cars and light-duty trucks by 7 percent by 2020 and by 15 percent by 2035; and

- 2 House 100 Percent of the Region's Projected 25-year Population Growth** by income level (very-low, low, moderate, above-moderate) without displacing current low-income residents.

The second input is the long-term growth forecast developed using historic and future demographic trends, as described in Chapter 2. In addition to these inputs, the land use distribution emphasizes growth in nearly 200 locally identified Priority Development Areas (PDAs) along the region's core transit network, and accommodates 100 percent of new growth within existing urban growth boundaries

FIGURE 10: Plan Bay Area Land Use Distribution Process





and urban limit lines. It also emphasizes protection for the region's agricultural, scenic and natural resources areas, including Priority Conservation Areas.

The nearly 200 adopted PDAs are existing neighborhoods nominated by local jurisdictions as appropriate places to concentrate future growth that will support the day-to-day needs of residents and workers in a pedestrian-friendly environment served by transit. Emphasizing higher levels of growth in these locations means that many neighborhoods, particularly established single-family home neighborhoods, will see minimal future change. A key part of the PDA strategy is to move away from an unplanned “project-by-project” approach to growth, toward the creation of complete communities that meet the needs of existing and new residents and workers.

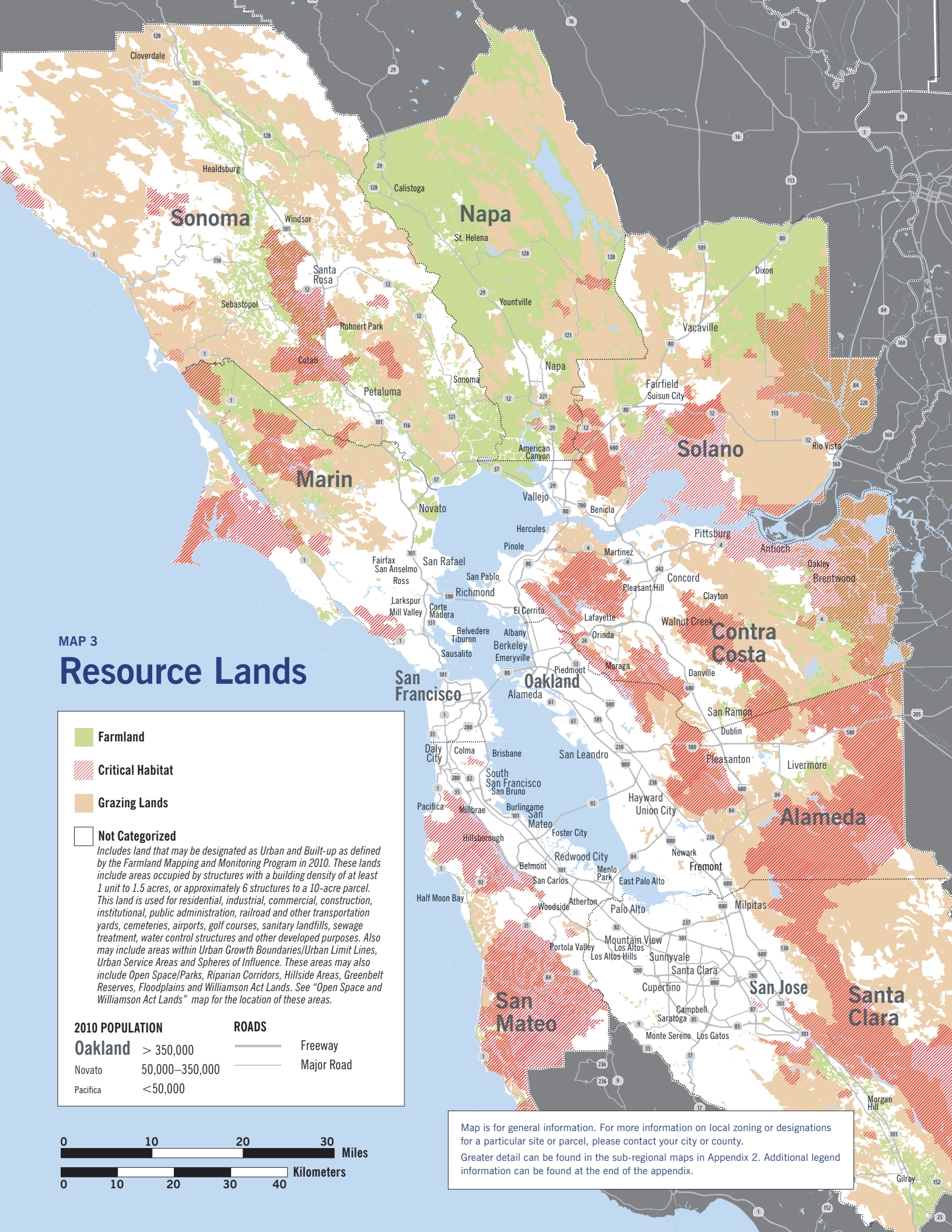
Priority Conservation Areas (PCAs) comprise over 100 regionally significant open spaces about which there exists broad consensus for long-term protection, but which face nearer-term development pressures. They are a mechanism for implementing Plan Bay Area — particularly in the North Bay, where they are central to the character and economy of many

communities, and they ensure that Plan Bay Area considers farmland and resource areas in keeping with Senate Bill 375. The PCAs and PDAs complement one another: Promoting compact development within PDAs takes development pressure off the region's open space and agricultural lands.

In contrast to past trends that saw the outward expansion of urban growth in the region and spill-over growth in surrounding regions, Plan Bay Area directs new growth within locally adopted urban growth boundaries to existing communities along major transit corridors. For decades communities throughout the Bay Area have protected farmland, open space and natural resources using urban growth boundaries and other policies and investment strategies. Because urban growth boundaries and related growth controls constrain the amount of geography available for development, they not only protect valuable open space, they also help ensure that future development will assume a more compact pattern than in past decades. (See “Open Space and Williamson Act Lands” map on page 44 and “Resource Lands” map on page 46.)



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San Francisco Bay Area Job Growth

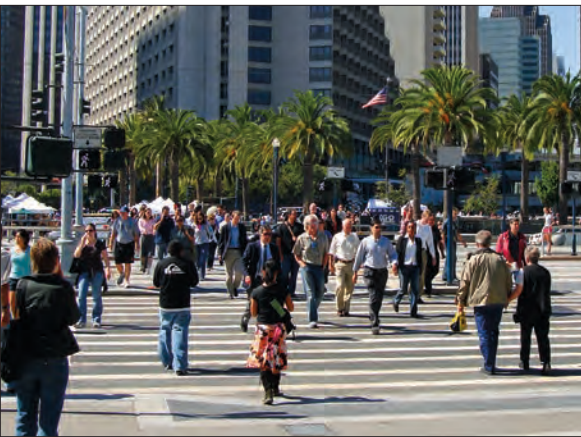
2040 Employment Distribution Approach and Methodology

Responding to Business Location Trends

Plan Bay Area’s distribution of the forecasted jobs throughout the region is informed by changing trends in the locational preferences of the wide range of industry sectors and business place types in the Bay Area. These trends capture ongoing geographic changes, as well as changes in the labor force composition and workers’ preferences. Overall, the changing needs of businesses suggest a transition toward a more focused employment growth pattern for the Bay Area. This focused growth takes a variety of forms across the various employment centers throughout the region, as summarized below. The plan’s long-range employment forecast is developed for planning purposes only, and it is not intended to pre-determine subsequent transportation funding allocation decisions.

- **Knowledge-Based Jobs, Culture and Entertainment at Regional Centers**

The growth of the professional services sector is expected to result in more jobs in downtown San Francisco, downtown Oakland and downtown San Jose — assuming an appropriate provision of infrastructure, transit and access to affordable housing. These downtown areas also have attracted international business and leisure travelers, as well as artists and entertainers, fueling the rise of leisure and cultural activities. Similar to the growth of San Francisco’s financial district in the 1970s, and Silicon Valley in the 1990s, the Bay Area is attracting new businesses and workers seeking to locate near related firms, services and amenities. These businesses and professionals seek flexible building spaces and require less office space



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per worker compared to traditional office space expansion in downtown areas.

- **Multiple Activities and Transit at Office Parks**

Office parks are expected to continue to accommodate a growing number of employees. However, given the limited land available for new office parks, available vacant office space, and the preference for walkable, transit-served neighborhoods by growing numbers of employers, office parks are expected to grow at a slower pace than in past decades. Many existing office parks are changing to use less space per worker, provide direct transit access, and even offer housing, services and other amenities. Growing numbers of businesses, particularly in San Mateo and Santa Clara counties, are providing private shuttle services to help their employees commute to work. Increasing and improving transit access to office parks will lessen, but not fully mitigate, increased traffic congestion related to employment growth.

- **Downtown Areas and Transit Corridors Serving Residents**

Over the last decade, medium and small cities throughout the region have been expanding the range of services and jobs provided in their downtown areas. As described in Chapter 2, the increase in the senior population, combined with the region’s changing ethnic profile, is expected to increase the demand for local

services, housing and transportation choices across the region, including in many of these medium and small downtown areas. Many of these locations have been identified as PDAs and have shown increased concentrations of knowledge-based jobs in the arts, recreation, health and education sectors.

• **New Vitality of Industrial Lands**

Manufacturing and wholesale distribution have experienced declining employment in many of the region’s key industrial areas. However, in recent years a different and very diverse mix of businesses has relocated to some of these Bay Area locations. In addition to basic services such as shuttle operations and refuse collection, or traditional uses such as concrete plants, industrial lands are now occupied by food processing, high-tech product development, car repair, graphic design and recycling businesses, among others. The building and space needs of these businesses make traditional industrial lands attractive. These new businesses provide jobs, and also provide essential support to other sectors of the economy and vital services to nearby residents. It is in the region’s best interest to ensure that new businesses have access to industrial lands, so that the jobs they create remain in the Bay Area.

Employment Distribution Methodology

The distribution of forecasted employment growth considers job growth by sector and is linked to input from local residents and planning departments. Employment growth is organized under three major groups: knowledge-sector jobs, population-serving jobs and all other jobs. The number of knowledge-sector jobs — such as jobs in information technology companies, legal or engineering offices, or biotechnology firms — is expected to grow based on the current concentrations of these jobs, the specialized skills and experience required to perform these jobs, and past growth in the sector. The number of population-serving jobs, such as those in retail

stores or restaurants, is expected to grow in a manner reflecting the distribution of future household growth. The number of jobs in all other sectors, including the government, agriculture and manufacturing sectors is expected to grow according to the existing distribution of jobs in each of these sectors. Finally, the employment growth distribution also is linked to access to transit service, which continues to be a major draw for both employers and employees.

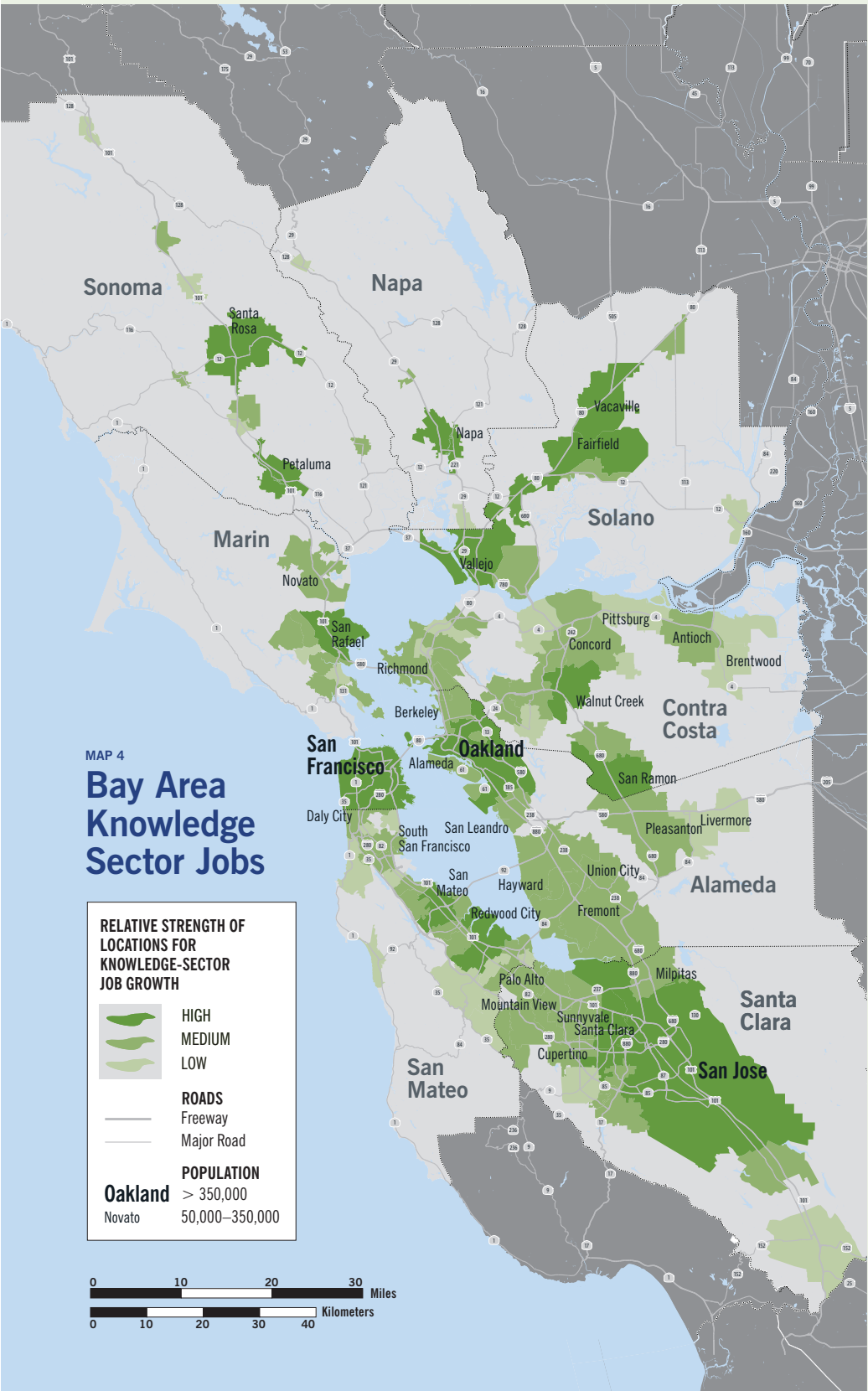
Employment by Economic Sector and County

The first step in the employment distribution was to determine the composition of employment in 2040 by different industry sectors for the region as a whole. This was derived from the Center for Continuing Study of the California Economy’s *Bay Area Job Growth to 2040: Projections and Analysis* (February 2012). The next step was to distribute 2040 job numbers among the nine counties for each industry sector based upon county shares of regional employment, as reported in Caltrans’ California County-Level Economic Forecast: 2011–2040 (August 2011).

Employment by Jurisdiction and Priority Development Area

The distribution of employment by jurisdiction and Priority Development Area was calculated using five growth distribution factors. The first three distribution factors are based upon the type of job. The fourth and fifth distribution factors are local planning assumptions, and the locations of resource areas and farmlands.

1 Knowledge-Sector Jobs Index: For jobs in the professional and business services, information and finance sectors, a “knowledge strength index” was used to weight the distribution of jobs within each county at the jurisdiction level. The index reflects the tendency of these jobs to be located in areas with already high concentrations of similar companies and a shared labor pool. (See “Knowledge-Based Jobs Expected to Lead Bay Area Employment Growth to 2040” on facing page.)



Knowledge-Based Jobs Expected to Lead Bay Area Employment Growth to 2040

Knowledge-based jobs in the Bay Area include jobs in the professional services, information and finance sectors, as well as some occupations with relatively high educational requirements in the health and education sectors. Many companies in these sectors are expected to continue the historical trend of specializing in the design and development of new products and information. Robust growth in the amount of knowledge-based employment is supported by a highly educated labor pool and provides many high-wage jobs. The map at left shows the weighted knowledge strength index used to distribute knowledge sector jobs within each county.

Compared with other regions, the Bay Area’s labor force has the highest share of college graduates (44 percent) in the country and is anchored by educational and research institutions that can continue to deliver high-quality talent. These leading sectors have represented and will continue to represent a high share of the total regional job growth. Although the knowledge-based sectors help define the overall pace of growth for the region, their success is advanced by a very diverse regional economy.



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2 Population-Serving Jobs Ratio: For jobs that provide services to households, employment location is dependent upon where people live. As a result, growth of these jobs was distributed based upon the geographic distribution of household growth in the region. Residential construction

jobs also were included in this category, as they will be located where new housing is built.

3 Existing Employment Share for All Other Jobs: For the remaining sectors, employment growth was distributed based upon the existing distribution in 2010, using data from the National Establishment Times-Series (NETS) database, which provides employment information by location of business establishments.

4 Local Planning Assumptions: This information, including locally adopted general plans and neighborhood plans, was supplied by local planning departments.

5 Resource Areas and Farmland: This information was derived from farmland and resource lands, the locations of Priority Conservation Areas, and the urban growth boundaries.

TABLE 13: Bay Area Job Growth 2010–2040, Top 15 Cities

Rank	Jurisdiction	Jobs		2010–2040 Job Growth	
		2010	2040	Growth	Percentage Growth
1	San Francisco	568,720	759,500	190,780	34%
2	San Jose	377,140	524,510	147,380	39%
3	Oakland	190,490	275,760	85,260	45%
4	Santa Clara	112,890	146,180	33,290	29%
5	Fremont	90,010	120,000	29,990	33%
6	Palo Alto	89,690	119,470	29,780	33%
7	Santa Rosa	75,460	103,940	28,470	38%
8	Berkeley	77,110	99,330	22,220	29%
9	Concord	47,640	69,450	21,810	46%
10	Sunnyvale	74,810	95,600	20,790	28%
11	San Mateo	52,540	72,950	20,410	39%
12	Hayward	68,140	87,820	19,680	29%
13	Redwood City	58,080	77,480	19,400	33%
14	Walnut Creek	41,720	57,380	15,660	38%
15	Mountain View	47,950	63,590	15,640	33%

