

## V. REGIONAL EQUITY AUDIT: POTENTIAL REGIONAL EQUITY IMPACTS OF EXISTING ABAG AND MTC TRANSIT ORIENTED DEVELOPMENT PROGRAMS

As part of the Development Without Displacement program, regional staff assessed the equity impacts of existing regional programs to promote transit-oriented development. These include the long-standing Regional Housing Needs Allocation, the Metropolitan Transportation Commission’s TOD Housing Policy, the Community-Based Transportation Planning program, the Housing and Transportation Affordability study, and the joint regional agency FOCUS program. Each program has explicit equity goals or incentives.

A common thread through most of these programs is an emphasis on affordable housing. The Community-Based Transportation Planning program is unique among them because it identified access to jobs and services as equity goals. In FOCUS and the region’s Sustainable Communities Strategy, regional agencies will be directing more attention on employment and towards building “complete communities,” including services, urban parks and schools, within Priority Development Areas.

### **Regional Housing Needs Allocation (RHNA) and City Housing Elements**

The Regional Housing Needs Allocation (RHNA) is a state-mandated process for determining how many housing units, including affordable units, each community must plan to accommodate over a seven year period. The California Department of Housing and Community Development (HCD) determines the total housing need for a region.

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Once the total regional need is determined, ABAG (and other councils of government throughout the state) works with local governments and others to allocate the total need to individual cities and counties. The allocation methodology assigns units by income category to each city and county in the nine-county Bay Area. Local governments are then required to plan where and how the allocated housing units will be developed within their communities. Local governments do so through the Housing Element of their General Plan.

Housing Elements are one of the best opportunities to plan for diversity. The determination of housing need is based on both existing need and estimated population growth. Need is determined for households in all income categories: very-low, low, moderate and above-moderate incomes. Cities prepare demographic data and housing stock analysis that accounts for community needs and can provide a solid basis for planning mixed-income, transit-oriented neighborhoods. Housing Elements determine at what income levels the housing supply is inadequate, and identify key preservation and development opportunities.

To fulfill regional goals, the Bay Area’s regional allocation methodology seeks to encourage transit-oriented development and to reduce inequities between cities. The allocation is based on existing and projected growth levels of housing and jobs, with an additional five percent weight added for growth near transit stations. It therefore directs an increased amount of new housing and jobs toward cities with transit stations.

The income allocation method, which determines what levels of affordability are allocated to each jurisdiction, gives jurisdictions that have a relatively higher proportion of households in a certain income category a smaller allocation of housing units in that same category. Conversely, jurisdictions that have a lower proportion of households in an income

category would receive a larger allocation of housing units in that same category. The goal of this allocation is to avoid exacerbating existing concentrations of poverty within the region. Under this formula, the income distribution within each jurisdiction moves closer into alignment with the region-wide distribution of household income.<sup>35</sup> Housing constructed according to this guideline could significantly advance regional equity and help to create more sustainable cities. However, it also increases the need for local and regional agencies to manage potential displacement if higher-value housing units are introduced to low-income neighborhoods.

The Regional Housing Needs Allocation is premised on an equity goal—the creation of a regionally equitable supply and distribution of affordable housing—and the state mandates that Housing Elements include significant public engagement. However, many communities and jurisdictions do not feel that

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the process is inclusive or reflective of local needs. Not every jurisdiction has a certified Housing Element. Nevertheless, the San Francisco Bay Area has the highest rate of adopted Housing Elements among California regions: in the 1999-2007 RHNA cycle, 85 percent of jurisdictions completed a plan and identified sites to house their regional allocation. Although adoption of a Housing Element makes a city eligible for state affordable housing funds, cities that complete Housing Elements still lack the programs or resources to implement many of the planned goals.

## **MTC's Resolution 3434/TOD Housing Policy**

To promote cost-effective transit, ease regional housing shortages, create vibrant communities and preserve open space, MTC has adopted a Transit-Oriented Development policy that is applied to transit extension projects in the Bay Area. Each transit extension project must plan for a minimum number of housing units along the corridor in order to receive regional funding. These corridor-level thresholds vary by mode of transit, with more capital-intensive modes requiring higher numbers of housing units. For example, a future commuter rail station has a threshold of 2,200 units, while a future BART station has a threshold of 3,800 units.

An important aim of MTC's TOD policy was to catalyze the development of affordable housing in station areas. To this end, MTC's policy states that new below-market housing units will receive a 50 percent bonus toward meeting the corridor threshold, subject to income thresholds. Although an assessment of the TOD policy was conducted in 2006, it could not determine whether this incentive was having a significant impact on local land-use and affordable housing policies. Since the threshold numbers are based on the potential build-out of plans, rather than actual developments, many local jurisdictions relied on their existing inclusionary housing policies to receive the bonus.<sup>36</sup> Since the TOD policy only applies to future transit extensions, most inner Bay communities were not eligible to participate in the program in its first few years.

## **FOCUS**

FOCUS is a regional development and conservation strategy that promotes a compact land use pattern for the Bay Area. It unites the efforts of four regional agencies into a single program that links land use and transportation by encouraging

<sup>35</sup> San Francisco Bay Area Housing Needs Plan, 2007-2014. ABAG.

<sup>36</sup> MTC's Resolution 3434 Transit-Oriented Development Policy • Interim Evaluation. Prepared by Nelson/Nygaard. 2006.

the development of complete, livable communities in areas served by transit, and promotes conservation of the region's most significant resource lands. Congestion management agencies, transit providers, and local governments throughout the Bay Area are also partners in FOCUS. It is partially funded by a Blueprint Grant from the State of California Business, Transportation, and Housing Agency.

Local governments in the Bay Area are essential partners, since they are responsible for making decisions about land uses and future development in their communities. FOCUS supports local governments who share the goals of encouraging more compact development that offers a range of both housing and transportation choices.

Regional agencies direct existing and future incentives to Priority Development Areas (PDAs) and Priority Conservation Areas (PCAs). Priority Development Areas are locally-identified infill development opportunity areas near transit.

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Priority Conservation Areas are regionally significant open spaces for which there exists a broad consensus for long-term protection. Of the Bay Area's 120 Priority Development Areas, 40 are home to predominantly low-income residents.

Development Without Displacement functioned as an extension of the FOCUS program, providing incentives to interested jurisdictions through the Community Engagement Grants. These grants provided the first regionally-funded opportunity for cities to engage their constituents around PDA planning. The program has also identified tools and technical

assistance which jurisdictions who participate in FOCUS will be able to access. PDAs can apply for technical assistance to support Equitable Development. Finally, for jurisdictions that receive regional funding through the FOCUS program to conduct comprehensive neighborhood-level plans, a required affordable housing component has expanded to include an anti-displacement strategy.

### **Station Area Plans**

The FOCUS program has thus far distributed \$7.5 Million in planning funds to Priority Development Areas through Station Area Planning Grants. These grants are funded through MTC using federal dollars. The Station Area Planning Grant program has an explicit anti-displacement requirement as criteria for spending grant funding.

Cities that receive grants for a full planning effort must include "a housing strategy that promotes housing that will be affordable to low-income residents and attempts to minimize the displacement of existing residents." Grant language also emphasizes engagement of under-served populations and provision of housing at all levels of affordability.

Station Area Plans contain the following criteria aimed at increasing diversity:

1. A significant public outreach and community involvement process targeting traditionally under-served populations
2. A market demand analysis for housing at all levels of affordability, jobs and retail in the station area
3. A housing strategy that promotes housing that will be affordable to low-income residents and attempts to minimize the displacement of existing residents.

FOCUS has not yet created standards to monitor the success of these planning goals. The creation of standards for sustainable TOD that can be incorporated into policy making at all levels of

government, along with support for implementation at the local and regional scale, is a top recommendation from the Center for Transit-Oriented Development.<sup>37</sup>

### **Community Based Transportation Plans**

In 2002, MTC created a collaborative planning process that involved residents in low-income Bay Area communities, community- and faith-based organizations that serve them, transit operators, county congestion management agencies (CMAs). Over several years, this program produced twenty neighborhood transportation plans, nearly all of which also identified recommendations related to land use. Suburban neighborhoods found that there was a significant lack of amenities, access to health care, grocery stores, retail stores, and places for employment. In neighborhoods with large immigrant populations and with significantly lower incomes, most residents relied on their cars to drive because the existing public transportation did not provide the hours or the efficiency they would need for working multiple jobs or jobs with nighttime hours.

One major recurring problem was the lack of entry-level jobs to meet the volume of lower-skilled workers in suburban neighborhoods. Since most of these jobs are outside of their neighborhoods, many residents faced transportation barriers to stable employment.

Similarly, residents in some low-income areas (both rural and urban) also had difficulty accessing ESL classes, WIC or Welfare to Work programs, other social services, and adult education classes.

From a regional equity perspective, the combined recommendations of seven years of Community-Based Transportation Plans highlight a lack of access to jobs and services in many neighborhoods. This suggests that

when Bay Area residents find affordable housing outside of neighborhoods with excellent transit service, they may be losing economic opportunities or finding other decreases in quality of life. This also underscores the importance of conducting transit-oriented development as local economic development.

### **Housing and Transportation Affordability**

With direction from the Minority Citizens' Advisory Committee, MTC undertook a study with the Center for Neighborhood Technology (CNT) on the combined housing and transportation cost burden on Bay Area households. The analysis highlights affordability variations within the Bay Area, and illustrates how few affordable opportunities exist for low-income households in the region. This report makes the following key findings:

- CNT set a target that housing and transportation costs together should amount to no more than 48 percent of a household's spending budget. Screening the Bay Area for combined housing and transportation costs at or below 48 percent of the income level for moderately low-income households reveals that few communities can be considered affordable, see page 28.
- The affordable locations are concentrated in a smaller number of transit-oriented communities than if only housing costs were taken into account. Transportation costs average \$10,219 annually in the Bay Area, but are lower in the region's urban core and along public transportation corridors.
- The combined cost places the vast majority of Bay Area municipalities beyond the reach of low-income households earning less than \$35,000 per year. Low-income families are therefore constrained in their location choices compared to moderately low-income and higher-income families.

<sup>37</sup> Reconnecting America, 2009. Fostering Equitable and Sustainable Transit-Oriented Development. [http://www.reconnectingamerica.org/public/displayasset/ra\\_ford\\_brief\\_final](http://www.reconnectingamerica.org/public/displayasset/ra_ford_brief_final).

- Volatile gas prices most affect the household finances of residents living in the exurbs, where people often live far from work and drive the most miles per year per household. They also affect urban households located in more auto dependent neighborhoods.
- As mentioned above, car ownership constitutes the single biggest expense within most household transportation budgets. Average annual costs of \$5,000 per vehicle cover only auto payments and insurance, not gas or repairs.

One effective way to monitor housing and transportation affordability over time is to track production of affordable housing specifically located near major transit stations and hubs. Currently production is tracked only by municipality.

CNT estimates that, if one in four of low- and moderately low-income homes permitted between 1999 and 2006 in cities with major transit stations had enabled their occupants to reduce car ownership by one car per household, \$132.5 million in disposable income for these lower-income households would have been created just from reduced auto-ownership costs.

### **Meeting the Challenge**

Based on these findings and building on existing regional policies and programs, the following are recommendations for helping the Bay Area meet the challenge of providing

affordable housing and transportation (H+T) choices for its current and future residents. These recommendations include:

1. Pursue an H+T affordability benchmark of 48 percent of median income and use it to track performance measures: for example, households with zero or no cars, or the supply and increase in housing located within areas that meet affordability thresholds for low and moderately low income households.
2. Continue to provide incentives for infill development near transit. Promote new incentives by expanding the allocation of current sources of transportation funds according to criteria in the Transportation for Livable Communities Program, and work toward securing additional new sources of funds to support a range of affordable options within communities.
3. Encourage accessible, affordable alternatives to auto ownership by expanding car-sharing, assessing the TransLink® for TOD pilot program, and promoting safe walking and bicycling.
4. Build complete communities by applying incentives for new and expanding businesses to locate near transit.

These recommendations, in addition to those listed below, can inform the further development of regional programs to promote sustainability.