

January 24, 2003

Mayor Gwen Regalia, Chair and
other members of the Executive Board
Association of Bay Area Governments
P.O. Box 2050
Oakland, CA 94604-2050

Dear Mayor Regalia and ABAG Executive Board:

Thank you for adopting the Smart Growth Policies which implement the final report of the Smart Growth Strategy project. Your projections staff is now drafting policy-based projections for 2030. We see three major problems that can still be resolved for better final projections.

The first problem is that the draft projections violate the first Smart Growth Policy concerning "Jobs/Housing Balance and Match." The projections significantly increase the regional imbalance, increasing the number of net in-commuters to the region from 148,000 in 2000 to 263,000 in 2030.

You could take two actions to address this problem. First, acknowledge that the draft projections fail to achieve the job housing balance goal. Second, ask for information about policies, both existing and potential, that could achieve balance at the adjusted Projections 2002 level for jobs in 2020 and 2030.

A second concern is the slowness with which smart growth policies are expected to have some impact on the ground. We ask that you request information about current rates of urbanization of new land as compared to development in urbanized areas, to see if trends favor smart growth, and to evaluate the relevance for projections for years before 2010.

The third problem is that the current process does not allow the public to review progress toward the land preservation goal. The draft projections do not tell us how much greenfield acreage is expected to be urbanized. We ask that ABAG provide some means of providing estimates on time for public comment prior to final adoption.

More than two years of work and over a million dollars were expended on the Smart Growth Strategy project. It would be a shame if all this work were not reflected in the projections.

Sincerely,

Michele Perrault
International Vice President
Sierra Club and
Steering Committee,
Bay Area Alliance for
Sustainable Development

Stuart Cohen
Executive Director
Bay Area Transpor-
tation and Land Use
Coalition

Tom Steinbach
Executive Director
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David Schonbrunn
President
Transportation Defense
and Education Fund

Approved by telephone and email, January 23 and 24, 2003

DISCUSSION OF ISSUES

by Sherman Lewis, Senior Conservation Fellow, Sierra Club, January 24, 2003

ABAG should affirm the link between the Smart Growth Strategy project and the projections. Throughout the process it was clear that the project would lead to new smart growth land use assumptions, which in turn would lead to a Regional Transportation Plan based on smart growth. Steve Kinsey, Chair of the Steering Committee, said in his cover letter to the final report on December 12, 2002, "...the region-wide smart growth land-use vision...has helped to frame the policies that will be used ... to develop policy-based Projections."

Unfortunately, the projections are going in the opposite direction. Statements in a November 3, 2002, memo on forecasting parameters approved by the ABAG Executive Board are being taken in unexpected directions, and discussions with the Smart Growth Steering Committee on Jan. 22, 2003, have not clarified major questions.

The draft projections go against ABAG's first Smart Growth Policy concerning "Jobs/Housing Balance and Match." The projections significantly increase the regional imbalance, increasing the number of net in-commuters to the region from 148,000 in 2000 to 263,000 in 2030. The Nov. 3 memo says "the overall impact should still result in a significant reduction in the net commuting into the region." Quite the opposite has happened.

The projections are aggravating the job housing balance because of a paradox in the modeling. The new projections assume that incentives in the form of \$350 million in new public funds per year will be forthcoming and lead to \$1.75 billion in total annual housing investment after 2010. So far the projections are policy based, trying to achieve the goal of catching housing up to jobs. Next, however, these funds, the resulting housing investment, and especially spending by new residents are assumed to have multiplier effects creating more jobs, undoing the balance. The new public funds have some multiplier effect and cause the larger volume of housing investment with its multiplier, which in turn leads new household spending and its even bigger multiplier, thus ballooning up the number of jobs from the initial investment, undoing the great effort of the workshops to achieve a balance. The projections are on a treadmill.

The paradox can only be resolved by policy based projections using additional policies and better modeling. The additional policies would shift the balance between basic jobs and local-serving jobs to avoid the multiplier effect. The same tools for ramping up housing—general plans, zoning, redevelopment, bonds, new state infrastructure policies, MTC resources like STP, CMAQ, TLC and HIP--can be also be used to manage job growth, without any city losing a single job that it was expecting to have under the adjusted Projections 2002.

The Nov. 3 memo assumes "substantial changes in policies and regulations at all level of government" but ignores such changes when it comes to the need to balance jobs and housing. Because policy based projections are being used to increase housing but not being used to achieve a job housing balance, they are being implemented in a biased way that lacks credibility. There is not even any discussion of the issue; it is presented as "trend is destiny."

The ABAG Executive Board could ask ABAG staff, What would be necessary to achieve a job

housing balance at the level of jobs projected for 2020 by the adjusted Projections 2002? The issue should, at least, be discussed in more detail. The staff may say balance cannot be achieved. There are, however, the examples of Marin, Napa, and San Mateo counties. These counties improved their balances from 1990 to 2000, and had an acceptable balance in 2000. Trends in four counties got worse and were more imbalanced by 2000. Balance can be achieved; the real issue is the political will to get there. The Board could ask the question and not simply accept the treadmill hypothesis put forth by its experts.

As for better modeling, when models produce answers that don't make sense we can go along with them anyway or we can ask how they work and why they produce the results they do. Sometimes models produce a deeper insight than human reasoning, but other times they produce results because of arbitrary human assumptions.

In this case, the problem may involve a kind of unbalanced accounting that increases aggregate demand in an unrealistic way. For example, where is the \$1.75 million coming from? If this money comes from within the region, it is logical to surmise that the multiplier it would have had originally is not there. It is logical to assume that the jobs originally projected will not occur, but are replaced by new jobs from different spending. Removal of one multiplier is offset by the addition of a new one, and the accounts are square.

Alternatively, we could assume that the money comes from outside the region. It is not clear why the rest of the state would want to give the Bay Area \$1.75 million annually so it can build more housing; in fact, I think this is totally unrealistic.

The same problem of balancing the accounts returns in new forms: how much would the state be taking from our region to do similar favors for other regions? If private housing investment money comes from outside the region, then what about money from this region going for housing elsewhere? The "accounts" for Projections 2002 are probably square, as there were no policy factors introduced. The problem is the transition to Projections 2003, where housing advocacy is trumping job housing balance in ways that need to be better understood. It seems likely that the money would not come from outside the region and, if from within, does not have a multiplier effect. The draft projections are, then, both unrealistic and not policy-based.

The new projections assume that nothing will change without incentives. The basis for this assumption is not explained. The idea seems to be that ABAG has to do the projections this year, then MTC does the RTP in 2004, then the region gets money somehow to make smart growth happen, and then a few years after that it actually happens.

There does not seem to be much consideration of decisions being made locally in recent years that may be changing what is built on the ground before 2010. The smart growth movement is far larger in scope than just ABAG and MTC. Are rates of urbanization of new land already slowing? Does development in already urbanized areas account for more of total development? If so, there may be some reason to believe that trends on the ground may already be changing, and will have some impact before 2010. The issue seems worth discussing.

I believe that smart growth can be achieved by using existing policy tools already mentioned. The main challenge is to develop more political will to save the open space, build more densely around

transit, and tame the automobile. The Smart Growth project was part of developing that political will, but the Projections ignore any possibility of housing progress until 2010, and then only for housing, not balance.

The Smart Growth Strategy mostly protected the greenbelt, estimated acres of new urbanization, and showed where they were. The Smart Growth process also produced a map which conserves open space. ABAG's fourth Smart Growth Policy is "Environmental, Natural Resource, Open Space and Agricultural Preservation." There is no assurance any of this will be respected. The memos on how the projections will be done make no reference to the issue. The estimated acres and the map do not exist as far as ABAG is concerned. No information will be forthcoming during the period of review of the draft projections. Evidently, the projections will tell us how much greenfield acreage is expected to be urbanized at the end of the process several months from now, too late to have any public comment about what is being urbanized and how. There can be no adequate review of the draft projections when such critical information is not available. Both the map and the policy may be ignored in the projections without anyone knowing this has happened until it is too late.