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Bay Area Council

Changing the Math for Housing Development in the Bay Area

An inability for the Bay Area to increase its housing stock—especially for affordable rental units—has exacerbated a supply and demand mismatch and contributed to runaway housing costs.

To combat housing affordability issues, the recommendations outlined target three goals:

1. Build—not plan, or zone, or even permit—but *build* sufficient housing stock to meet the demands of a growing regional population and to fill historic deficits.
2. Reduce the cost of new home construction across the region.
3. Find new mechanisms to fund and/or subsidize infrastructure development and housing construction so that the burdens as well as the benefits of creating livable communities and affordable housing are shared among both new and existing residents and property owners.

Strategies and Actions

Strategy #1: *The Regional Housing Needs Allocation (RHNA) process needs real teeth.*

- The One Bay Area Grant (OBAG) funding process must be more performance based. Those cities that produce the most housing should get the most transportation funding. Currently 50% of OBAG grants are distributed on a flat population formula and only 25% are awarded based upon past housing production performance.
- Within each county, cities should have the authority to trade their RHNA obligations—and connected OBAG funding—to neighboring municipalities that may be more receptive to new development. If adopted in all nine Bay Area counties, this “trade and build” system will result in county RHNA systems that have greater probability of reaching targets.
- If local governments do not approve projects consistent with local zoning and Priority Development Area (PDA) requirements, their authority to approve or deny housing projects should be limited. Options include “deemed approved” housing approvals subject only to safety and building code standards, “by right” development where housing can be built with ministerial review only, and remanding housing projects to a regional hearing body.

Strategy #2: *The Bay Area must expand the stock of secondary units, junior units, “in-law” units, and other similar uses of homes and lots as an additional housing resource.*

- Model legislation should be drafted to expand and simplify approval of “in-law” or Accessory Dwelling Units (ADUs) in all residential zoning districts throughout the Bay Area.
- Regional agencies and banks should work together to create innovative ADU loan products to help homeowners and small landowners finance ADU fees, designs, and construction. At a minimum, regional entities and local governments should provide homeowners with technical guidelines and design assistance where possible.



Strategy #3: *Plan Bay Area must have a strong foundation in the economic realities of development.*

- Work to identify feasible housing types should be funded in all PDA planning grants where this analysis has not already occurred. While planners face a challenge in preserving the local character that residents value and responding to regional pressures at the same time, planning must take into account market-based housing demands and the economic considerations of developers in order for PDAs to be successful.
- ABAG should form a Planning Task Force that includes ABAG staff and Bay Area developers. Roles for the Task Force would include assisting in the creation of Area Specific Plans; drafting ADU ordinances that expand housing production; and supporting large projects, such as military base reuse, to facilitate development in a manner that meets regional goals.

Strategy #4: *The fiscalization of municipal land use decisions needs to change.*

- Each county should establish retail clusters in “Economic Zones” or “Priority Retail Areas” and establish a revenue-sharing model to spread sales tax dollars across jurisdictions.
- A full regional inventory of all underutilized or vacant land needs to be undertaken, with a focus on land set aside by cities for retail, industrial, office, and hotel use. Where it would be consistent with the goals of the Sustainable Communities Strategy, land that has not been developed within a specific time frame should be rezoned for housing.

Strategy #5: *Policymakers need to reconsider discretionary costs added to construction.*

- Streamline building permitting and code interpretations to allow for quick delivery of four- to seven-story buildings and new innovations in construction, such as Factory Built Housing.
- Across the Bay Area, cities are assessing impact fees and community benefits agreement payments on new housing construction. Too often, such fees add significant costs to housing construction and prevent new homes from being built. Policymakers should place a region-wide cap on impact fees and other exactions while exploring other funding options for community infrastructure, community benefits, and affordable housing.
- State law should be changed to create a new categorical California Environmental Quality Act (CEQA) exemption for new home construction that meets PDA requirements.
- Policymakers should review and seek to reduce or eliminate minimum parking requirements for all multi-family new construction within PDAs.

Strategy #6: *Establish powers to acquire funding and assemble the necessary land for development in urban areas and in Priority Development Areas.*

- Incent or empower local government jurisdictions to assemble and bank developable land for housing. Assembled parcels can facilitate the development of multi-family projects and enable the region to more efficiently meet its RHNA targets.
- The establishment of Enhanced Infrastructure Financing Districts must be fast-tracked within the region by educating governmental entities of their uses and benefits.