

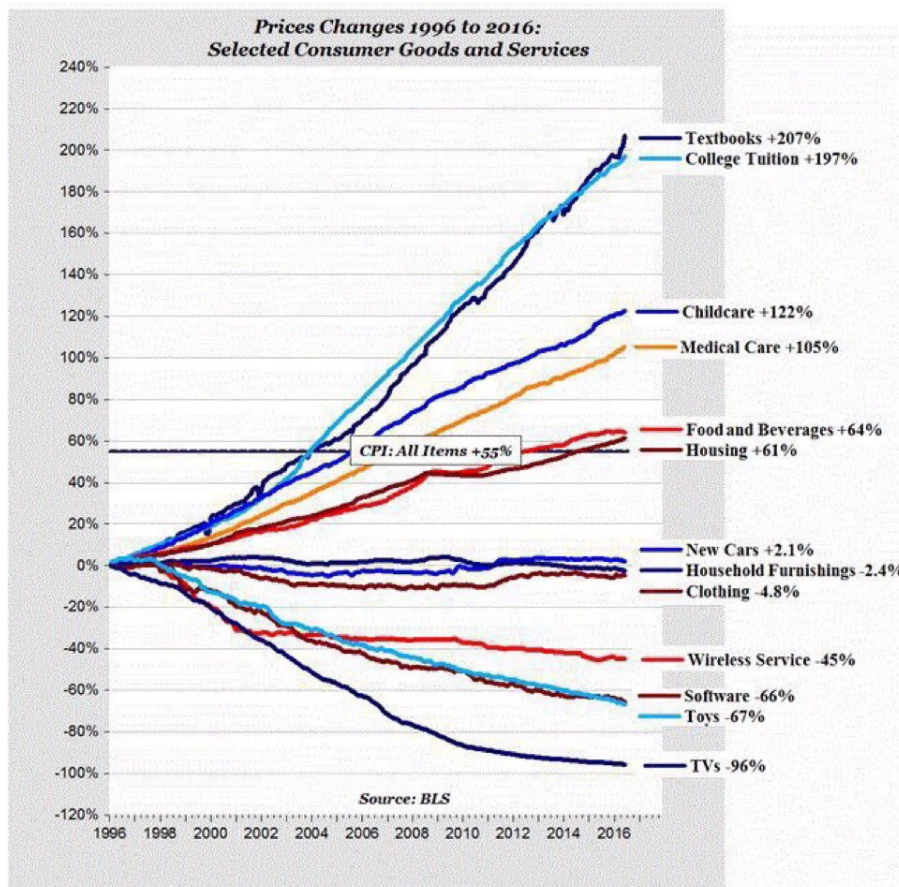
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Brisbane Planning Commissioner

Factors in Housing

The Planning Commission received many comments in favor of allowing housing on the Baylands. It is undisputed that housing affordability is a huge problem right now. It's not just construction workers and janitors and bus drivers who cannot afford housing – even dual-income 20-and-30-something tech workers have scant expectation of ever being able to afford to buy a house in the Bay Area. This issues need to be addressed vis-à-vis the Commission's recommendation to the City Council.

Cost of housing:



Rise in wages:



From these graphs, we can see that a very large component of the problem with affordability is the failure of wages to rise in pace with productivity gains and the CPI. While this still results in a problem for the Bay Area resident, the source of the gap is an important factor, as it indicates that, if wages are not going to rise, then housing must remain flat – below the CPI – in order for affordability to be maintained. This is difficult due to certain economic realities.

Currently, the solutions being most actively pursued to address housing affordability are to increase permitted building, and to require a small percentage of the new units to be “affordable” (or higher-density). Recent efforts to raise this ratio are being met with resistance:

From: “Affordable rent demand could slow construction”

<http://m.sfgate.com/politics/article/Affordable-rent-demand-could-slow-construction-in-9178589.php>

“New apartment buildings can rent a maximum of 18 percent affordable units before new housing is likely to be impeded. The idea is that the higher the affordability percentage, the less money developers will pay for the land. At greater than 18 percent affordability, the value of the land will drop to a level so low that owners won’t sell the land.”

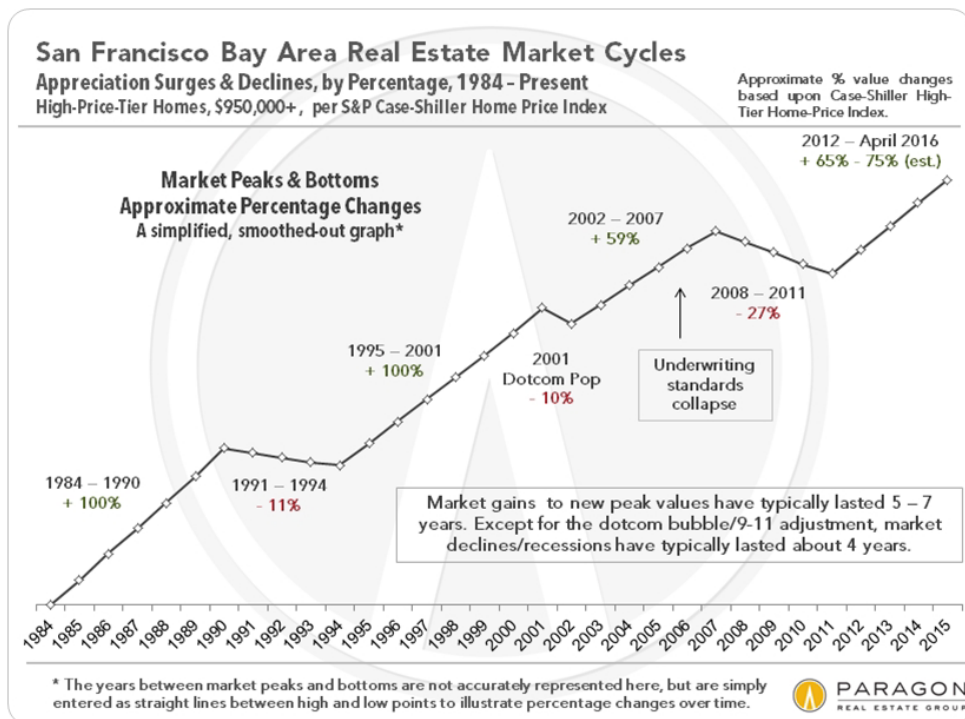
The QUESTION, then, is how can building more housing slow the rise in housing cost to be less than the CPI?

The ANSWER is that slowing housing prices to rise more slowly than the CPI is impossible to do at a planning level. Housing prices can stabilize or even fall as a result of new building in circumstances where inventory of inexpensive available places/lots to build is sufficient. (Sonja Trauss: other projects need to tear something down to build new housing – Baylands is very rare in that it is empty land.) In the Bay Area, we are predominantly limited by a simple equation:

$$\text{Property cost} + \text{improvements cost} + \text{loan burdens} + \text{developer profit} > \text{anticipated sale price}$$

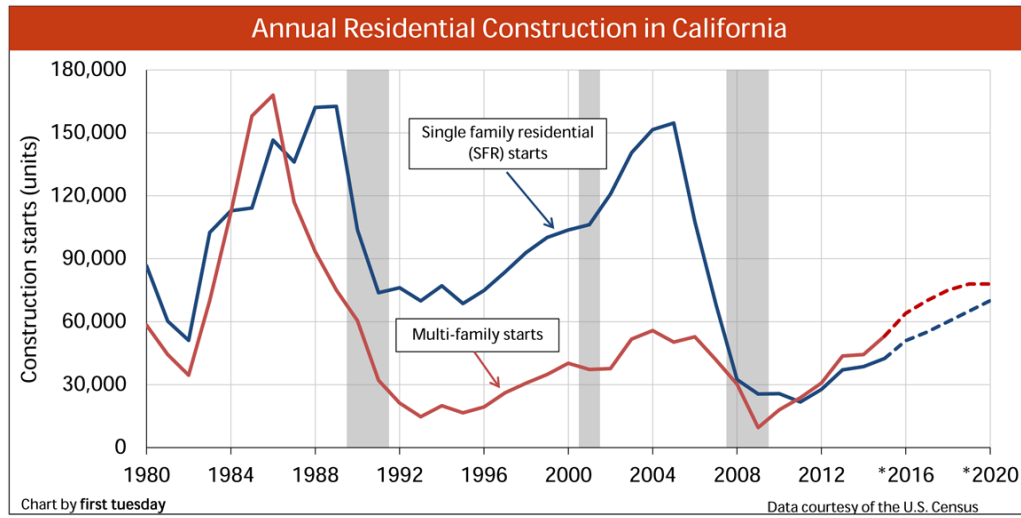
You CANNOT buy property at market prices, spend money, and expect housing prices to fall by “making up the difference in volume”, because new development is driven by rising housing costs. If the only thing that you do is PERMIT more new building, then new building will stop when the new inventory reaches the point that the increase in prices is not high enough to justify development risk. This is why the frequently quoted supply and demand analysis are wrong in the Bay Area. New housing starts slow down when prices decline, or when builders expect prices to decline.

Housing prices:



http://www.paragon-re.com/3_Recessions_2_Bubbles_and_a_Baby

Housing starts:



<http://journal.firsttuesday.us/the-rising-trend-in-california-construction-starts/17939/>

Good planning alone cannot solve the housing crisis. However, poor planning can greatly exacerbate an already bad situation. Much has been said on this topic, both in testimony and in recent news articles.

The housing plan proposed in the DSP does not address the housing crisis issues expressed by most of the housing advocates given during public testimony. Even as “one component of a larger solution,” 15% affordable, or “below market” units, as they are now more aptly being called, would do nothing to return housing to an affordable levels. Not even 40 years of building-friendly planning decisions across all Bay Area communities would do this, because voluntary new development will slow when prices lag, and as we have seen, housing prices never lag long enough to make a lasting effect. To make lasting change, affordable units should be a much higher percentage of new housing starts. I doubt that even the 25% level under consideration in San Francisco would be sufficient, and critics are saying that new building would be infeasible at these levels. This is not the fault of the developers, it is simple math. It is not possible to participate in non-subsidized, unprofitable work and remain in business. The State is working on a \$400M fund for housing, but the plan is also being met with resistance, and it seems unlikely that this level of investment would be effective unless regularly supplemented with additional support over a long period of time. This area is still evolving.

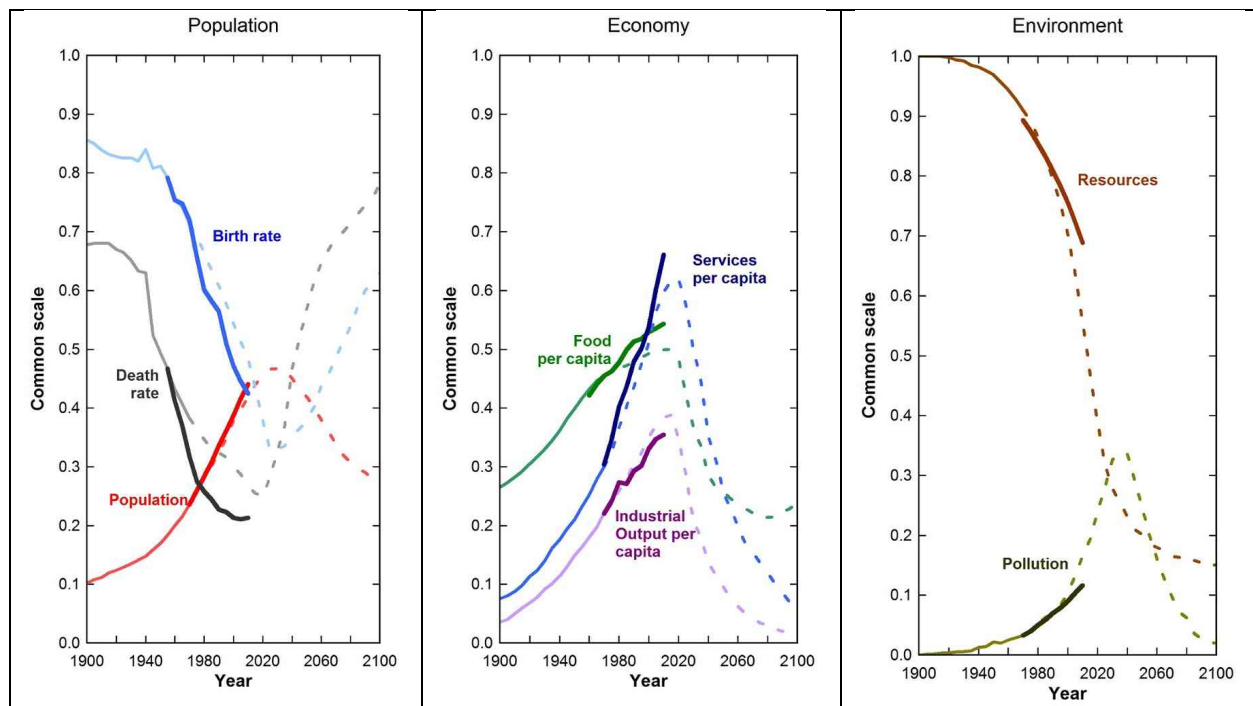
How could housing prices go down? We have seen temporary price reductions due to economic conditions, when more owners are forced to sell than there are buyers in the market (loan crisis and foreclosures). However, these periods are always followed by recovery which brings prices higher than the pre-crash levels. Housing prices will decline on a more permanent basis when people are forced out of the area in large numbers, and are not replaced by new arrivals. This will happen in scenarios of collapse, when the area can no longer support the population in it.

Sustainability and the Limits of Growth

One of the speakers defined sustainability as “building enough housing to meet the needs of our children”. “In ecology, **sustainability** (from *sustain* and *ability*) is the property of biological systems that remain diverse and productive indefinitely.”

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” only means that you haven’t provably used up every last means of sustenance for future generations. This is a fairly low bar for “sustainability”, but it is better than other definitions that redefine sustainability in social or economic terms to mean “growth”. However, there is no such thing as sustainable growth. Any plan that was sustainable in the true sense of the word would have to at least include a provision for when growth should stop. But there is no such thing as an end to growth either; every year we have growth, every year we have our ABAG / RHNA quotas. The thought that there would ever come a time when we would simply stop growing is inconceivable, and not even discussed in planning processes.

Eventually, however, we will reach the limits of growth. This has been studied, but not acted upon to any significant degree. Recently MIT reviewed the “Limits of Growth” study done in the 1970’s.



<https://www.theguardian.com/commentisfree/2014/sep/02/limits-to-growth-was-right-new-research-shows-were-nearing-collapse>

The MIT data shows that actual observed results have matched very closely with the projections made in the 1970's in what was called the "business as usual" scenario. If the data continues to track the projections, then we will not have forty years to solve the housing affordability problem before we have much larger issues to deal with.

Even before we reach the point of global limits to growth, there are local limits that will be encountered: traffic, local jobs, and local resources – especially water. The State as a whole must be careful not to overextend. This is difficult when planning is done primarily at local levels. We are already showing signs of being overextended. East Palo Alto has declared a two-year moratorium on all building due to lack of availability of water for new projects. Companies are already having difficulty with their labor forces. Young affluent dual-income tech workers are saving money, not with the hopes of buying a house locally, but with the express plan to move out of area. This is the norm.

Baylands Suitability for Housing

The Planning Commission does not believe that the Baylands is an appropriate place to build housing. This was the conclusion in 1994, and nothing has substantially changed to alter that. The combination of the contaminants, which must be remediated in place, the high susceptibility to liquefaction throughout the site, and the proximity to fault lines makes the site more suitable to commercial or industrial use. It would be best to limit the density of this site to the extent feasible.

To compensate for not putting housing on the Baylands, Brisbane should plan to build new housing in other more suitable areas. The Parkside Plan should be re-evaluated; this could be a very good area for new housing, if a viable variant is brought forward. Also, the issue of housing at Sierra Point, rejected in the past, should be reconsidered. Housing at Sierra Point could also potentially be serviced by a new ferry stop, to take workers into San Francisco and other areas.

Density levels for both areas will need to be carefully considered. RHNA quotas should be met. If a plan containing predominantly affordable / below market units could feasibly be built, and remain within the means of the town to support it, then it is my personal opinion that additional units should be considered.

Exceeding RHNA quotas should only be done with careful analysis. Traffic, availability of water, the ability of the City to afford the services that housing requires, and the concern from some citizens that a shift in population density away from central Brisbane would alter the voting preferences are all considerations that must be balanced. Failure to keep pace with the rapidly-expanding jobs market will have negative consequences for current residents that may outweigh some of these considerations. Over-building housing and commercial units beyond what the area can sustain would have an even worse outcome.

Specific Factors for the Baylands Resolution GP-01-06/GP-02-10/SP-01-06

Economic feasibility study

The recommendation by the Planning Commission was made based on the understanding that the NREL study found that this mix of uses was technically and environmentally feasible. Further economic studies should be done to confirm this.

Note that it is not expected that the suggested plan would have the same level of amenities as the DSP.

Soil processing

The applicant recently requested that soil be purchased from off-site, and brought on to the western portion of the project, rather than transported from the existing stock of soil on the eastern portion of the project. It was explained that selling and re-buying the soil was more economical than moving an equivalent amount of soil a much shorter distance.

While this seems rather counter-intuitive, when the possibility is considered that the applicant may profit from increased soil processing capacity as a result of this exchange, the idea has more merit. Moving the soil processing activities from the East to the West, with a potential for simultaneous activity should be considered. One large concern would be the potential impact on Bayshore traffic if the soil processing trucks accessed the site from the West rather than from the East. However, there is already a similar traffic impact in the current plan. When the soil is to be moved from the East to the West, the trucks would need to travel around the site, using Bayshore, because at-grade crossing of the CalTrain tracks is not permitted. It should be considered whether it would be economically feasible for the applicant to construct the planned second bridge, south of the Geneva Extension early in order to allow soil processing to occur on the Western region while still accessing the site from the East.

If this is considered, then an appropriate timeline would need to be negotiated, as soil processing was always intended to be an interim use.

Section 2

2: Please explicitly note that the outdated zoning designations on the land use map must also be updated to conform with the General Plan.

3.c.ii: I do not believe that it was the intension of the Planning Commission to change the current wording in the General Plan regarding water-based recreational use on the Lagoon. Current GP recommendation is “potential future use with further study”; at this time, we neither wish to pursue nor prohibit this potential.

3.e: Water. Given the tenuous state of water availability, project needs vs. available supply should be re-evaluated periodically. Agreed upon development densities must be explicitly

contingent upon the actual available water. While the existing text covers all of the base contingencies, I believe that it is important to stress that water availability is not an item to be checked off by rote. Under current water policies, purchased water rights offer no guarantee of delivery. The proposed transfer agreements are very complicated. The possibility that the Bay Area could become vastly over-extended on water is very real.

Section 3

1.c: For the avoidance of doubt, EIR mitigation measures “revision” also includes comprehensive review of each line item. The current Planning Commission recommendation does not consider the adequacy of any of the mitigation measures.

2.a: Some pile driving will undoubtedly be required even under our current recommendation. This analysis should not be contingent upon an increase in the recommended density; it should be done regardless.

2.f: There was some question as to the value of the information that could be obtained from the computer-modeled wind studies. It therefore might be more appropriate to say “Consider” or “evaluate the value of” rather than “undertake” here.