



Contra
Costa
County

To: Board of Supervisors

From: John Kopchik, Director, Conservation & Development Department

Date: December 20, 2016

Subject: 2016 Urban Limit Line Mid-Term Review

RECOMMENDATION(S):

1. CONSIDER accepting the report from Department of Conservation and Development (DCD) staff on the 2016 Urban Limit Line (ULL) Mid-term Review required under Measure L - 2006.

2. ACCEPT public comments.

FISCAL IMPACT:

The 2016 ULL Mid-term Review is being funded 100% from Land Development Fund, FY 2015/2016 and FY 2016/2017 budgets.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **12/20/2016** ☐ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

Contact: Will Nelson
(925)674-7791

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: December 20, 2016

David Twa, County Administrator and Clerk of the Board of Supervisors

By: , Deputy

cc:

BACKGROUND:

Brief History of the Urban Limit Line

On November 6, 1990, Contra Costa County voters approved Measure C - 1990, the Contra Costa County 65/35 Land Preservation Plan Ordinance ("65/35 Ordinance"). The 65/35 Ordinance limited urban development to no more than 35% of the land in the county and required at least 65% to be preserved for agriculture, open space, wetlands, parks, and other non-urban uses ("65/35 standard"). Measure C - 1990 also established the ULL, a boundary beyond which no urban land use could be established (see Attachment A, a current map of the ULL). Measure C - 1990 was set to expire on December 31, 2010.

On November 7, 2006, County voters approved Measure L, which extended the term of the 65/35 Ordinance (including the ULL) to December 31, 2026 (see Attachment B, the voter information pamphlet for Measure L). Among other things, Measure L included the following requirement for a mid-term (2016) review of the ULL:

The Board of Supervisors will review the boundary of the ULL in the year 2016. The purpose of the year 2016 review is to determine whether a change to the boundary of the County's Urban Limit Line Map is warranted, based on facts and circumstances resulting from the County's participation with the cities in a comprehensive review of the availability of land in Contra Costa County sufficient to satisfy housing and jobs needs for 20 years thereafter. This review of the ULL is in addition to any other reviews of the ULL the Board of Supervisors may conduct.

As Measure L does not prescribe procedure for conducting the ULL review, on February 2, 2016, DCD staff presented the Board with a proposed approach (see Attachment C) which included the following major components:

1. Estimating Housing and Jobs Needs in Contra Costa County
2. Formulating Development Scenarios
3. Surveying the Cities
4. Public Meetings

Staff explained that, consistent with Measure L, the ULL review would focus on capacity for jobs and housing and would not be studying the location of the ULL itself (i.e., the analysis would not include recommendations for expanding or contracting the ULL).

The Board approved staff's proposal and provided additional direction to consider housing affordability, jobs/housing balance, costs associated with infill versus "greenfield" development, and the locations of transit infrastructure in the analysis. The Board also requested staff to reach out to key stakeholders. Lou Ann Texeira, Executive Officer of the Contra Costa Local Agency Formation Commission (LAFCO), also requested that the County review boundary issues (islands and split parcels) associated

with the ULL. These issues are discussed in more detail below.

Estimating Housing and Jobs Needs in Contra Costa County

To estimate countywide housing and jobs needs for Year 2036, staff utilized housing data from the 2010 U.S. Census and the Association of Bay Area Governments-Metropolitan Transportation Commission (ABAG-MTC) Plan Bay Area 2040 employment and housing projections. Staff reviewed additional sources, such as the various city General Plan Housing Elements, the U.S. Census Bureau's American Community Survey 2010-2014, and the Census Bureau's Longitudinal Employer-Household Dynamics program, but the ABAG-MTC projections were the only data sets that fit the timeframe required under Measure L.

Using the 2010 Census and Plan Bay Area 2040 data, staff developed a Year 2015 baseline of existing housing units and jobs in Contra Costa County. Subtracting the 2015 baseline from the 2040 projections yielded the anticipated growth -- 67,959 housing units and 92,780 jobs -- that must be accommodated.

Formulating Development Scenarios

In its February report to the Board, staff indicated it would prepare two bookend development scenarios. The lower-density scenario reflects development in accordance with the existing General Plans of the County and 19 cities at the low end of allowed densities, assumes conversion of agricultural land inside the ULL at relatively low densities and assumes jobs and housing are only added on vacant land. The higher-density scenario assumes development at the high end of allowed densities, a higher rate of infill development, primarily within Priority Development Area (PDAs)[\[1\]](#), and slightly greater density on converted agricultural land. Together the two scenarios include four capacity measures (lower-density housing, lower-density jobs, higher-density housing, and higher-density jobs).

Vacant Parcel Inventory

Staff began its analysis by creating an inventory of potentially developable parcels. First, using DCD's geographic information system (GIS), staff determined that approximately 352,000 parcels are entirely or partially inside the ULL. Of those, approximately 14,000 were determined to be vacant or potentially vacant based on information obtained from the County Assessor.[\[2\]](#) Of these 14,000 vacant or potentially vacant parcels, approximately 4,000 were eliminated from the inventory because one or more of the following applied:

- The parcel's land use designation[\[3\]](#) restricted development of housing and job-producing uses.
- The parcel was owned by an entity, such as the East Bay Regional Park District, that presumably would not develop the property with housing or job-producing uses.
- The parcel was encumbered by an agricultural easement, conservation easement, grant deed of development rights, or other comparable instrument that limited its

development potential.

- The parcel had physical constraints (steep slopes, geologic hazards, susceptibility to severe flooding, access issues, etc.) that limited its development potential.

The resulting pool of approximately 10,000 parcels constitutes the vacant parcel inventory that is the basis for the analysis (see Attachment D, pages 8-11).

General Plan Land Use Designations

Staff next applied the County General Plan land use designations to the vacant parcels. For parcels located within city limits, staff translated each city's General Plan land use designations into comparable County land use designations. Using GIS, staff produced a countywide map of vacant parcels showing their residential, commercial, industrial, or public land use designations. This allowed staff to begin estimating the development capacity of the vacant land.

The various residential General Plan land use designations typically include a density range. For example, the County's Single-Family Residential High-Density (SH) designation allows 5.0-7.2 units per net acre. To estimate residential capacity, staff assigned the low and high ends of the density range to the vacant parcels in the lower- and higher-density scenarios, respectively (see Attachment D, page 12).

To estimate capacity for jobs, staff used data from the U.S. Green Building Council indicating the necessary square footage per employee for various commercial, industrial, and public-use land uses. Staff assigned low and high densities to the vacant parcels with these designations, as was done with the residential uses (see Attachment D, page 13).

By applying the General Plan designations to the vacant parcels throughout the County, staff was able to formulate an initial estimate of capacity for housing and housing and jobs. However, additional data affected the initial estimate.

Unbuilt Subdivisions and Individual Vacant Lots

Thousands of vacant residential lots exist throughout the county in approved, but yet-to-be constructed, subdivisions. Where these lots are known to exist, their fixed numbers were used in place of the growth assumptions described above that are based on the General Plan land use designations and densities (see Attachment D, page 14).

Conversion of Agricultural Land Inside the ULL

The analysis assumes that agricultural land inside the ULL could be converted to urban uses by 2040 (see Attachment D, page 15). For the lower-density scenario, conversion of agricultural land was assumed to be consistent with nearby development. For example, if development nearest to a convertible agricultural parcel had a land use designation of Single-Family Residential Medium-Density (SM), then staff assigned the SM designation to the agricultural land. For the high-density scenario, staff increased the density by one land use category. Thus, in the same example, the agricultural land was assigned the SH designation instead of SM. Depending on the scenario, staff assigned the low or high end

of the density range.

Priority Development Areas

The County and many Contra Costa cities have one or more designated PDAs within their jurisdiction (see Attachment D, page 17). The higher-intensity growth anticipated for the PDAs was included only in the higher-density scenario, where it replaced the General Plan-based growth anticipated in the lower-density scenario for the same geographic areas. Each designated PDA includes overall job and housing projections which reflect development opportunities on both vacant and underutilized lands. Staff relied on these estimates (unless cities advised otherwise; see below). This is the only component of the analysis not linked exclusively to development potential on vacant land.

Preliminary Capacity Determination

Factoring together the numbers from the four data sets listed above (General Plan Land Use Designations, Unbuilt Subdivisions and Individual Vacant Lots, Conversion of Agricultural Land, and Priority Development Areas) yielded the preliminary countywide growth capacity in housing units and jobs for the two density scenarios.

Surveying the Cities

Originally staff proposed providing the cities with a survey or questionnaire regarding their development capacity, but this approach evolved into a more collaborative process as the analysis progressed.

After the preliminary lower- and higher-density development scenarios were completed, staff scheduled group meetings with city representatives to explain the methodology and discuss the preliminary findings. Representatives of 16 of the 19 cities attended. Following these meetings, staff prepared detailed maps indicating the anticipated development for each city and forwarded these maps to the respective planning staffs for review.

The level of response varied (see Attachment D, page 16). Some cities indicated that the County's overall projections for their jurisdiction were reasonable and suggested no changes. Others updated some of the numbers, usually to reflect pending developments or approved plans. Three cities provided entirely new data sets with supporting documentation. All revised numbers provided by the cities were incorporated into the final development scenarios.

Final Development Scenarios and Capacity Analysis

After updating the data sets with the information provided by the cities, staff prepared a final capacity analysis. By subtracting the ABAG-MTC Year 2040 housing and jobs projections from the final numbers for the two development scenarios, staff determined that in the lower-density scenario there would be a capacity shortage of approximately 500 housing units and a capacity surplus of approximately 79,000 jobs, and in the higher-density scenario there would be capacity surpluses of approximately 43,000 housing units and approximately 98,000 jobs (see Attachment D, pages 22-24).

Staff recommends attention focus on the countywide estimates rather than data for individual cities. The analysis was general in nature and not intended to be interpreted at the city level (data by city was included only to show the work method).

Stakeholder and Public Meetings

Responding to comments received at the February 2 Board meeting, on October 31, 2016, DCD hosted a stakeholder meeting attended by representatives of the Building Industry Association, East Bay Leadership Council, East Bay Economic Development Alliance, Save Mt. Diablo, Greenbelt Alliance, LAFCO, East Bay Regional Park District, and Brentwood Agricultural Land Trust. Staff presented the findings of the capacity analysis through a PowerPoint presentation and took questions and comments, most of which involved the methodology. There seemed to be general consensus that the methodology was sound and the findings were realistic. No comments were made that necessitated a revision to the analysis, though comments were received that were helpful for refining explanations.

Staff also arranged three open public meetings in Martinez, El Cerrito, and Pittsburg, which were held on November 15 and 17 (see Attachment E, the public meeting attendance lists). Staff made the same presentation given at the stakeholder meeting using updated slides. As with the stakeholder meeting, most questions and comments involved details on the methodology. Again, no comments were made that necessitated a revision to the analysis, however some were critical of the ABAG projections relied upon for the analysis, of the assumptions made by staff, or of the way these assumptions were presented.

Additional Issues Discussed at the February 2, 2016, Board of Supervisors Hearing

As indicated above, at the February hearing the Board directed staff to examine several additional development-related issues.

Jobs/Housing Balance

Supervisor Piepho indicated that the ULL analysis should consider the jobs/housing balance. It is well established that Contra Costa County has a jobs/housing imbalance, with the total number of housing units being disproportionately high relative to the total number of jobs, at least with respect to other bay area counties. The imbalance is especially acute in the East County subregion. This imbalance, which is projected to grow in the coming years, means that Contra Costa County “exports” a substantial number of residents each day to job centers in other Bay Area counties. Perhaps the most apparent indicator of this is the severe rush hour congestion that occurs throughout the county in the commute direction, while the non-commute direction remains free flowing. The imbalance results in negative quality of life impacts for those who spend significant time commuting each day. Fortunately, both the lower- and higher-density development scenarios indicate a significant capacity for job creation, particularly in the Northern Waterfront and East County areas (see Attachment D, page 13).

Housing Affordability

Supervisor Piepho indicated that the ULL analysis should consider housing affordability, including in the context of infill versus greenfield development. Supervisor Piepho noted that housing developed on the edges of the ULL can be less expensive to build than denser, mixed-use and multi-family infill projects.

Staff analyzed affordability and its relationship to the ULL to better understand the implication of housing cost and location. The following includes a review of the report prepared by Beacon Economics (the “Beacon Report,” Attachment F), “The Economic Outlook Focus on Contra Costa County,” a summary of the affordability of recent home sales, demographic information related to housing affordability, and a review of the cost of infill development.

Beacon Report and Affordability of New Units

The Beacon Report outlined key factors related to housing affordability in the Bay Area. In order to further understand the housing affordability issues within Contra Costa County, staff reviewed updated data along with housing sales data for the county at the census block group^[4] level to determine how the trends identified in the Beacon Report are impacting Contra Costa County residents.

- **Housing Availability** - Available housing continues to shrink with an estimated county-wide vacancy rate of 4.1%, down from 5.4% in 2013 (actual supply is going up, just not keeping up with demand).
- **Foreclosures** - Foreclosure activity remains low, with 642 foreclosures in 2015, down from 797 in 2014 when the Beacon Report was issued.
- **Sales Counts and Price** – Between 2012 and 2016, countywide sales counts have remained relatively stable, hovering between 16,000 – 18,000 sales per year. However, the countywide median sales price has increased significantly from approximately \$300,000 to \$500,000 (source: MTC). Additionally, there is a wide range in the median sales price throughout the County. Attachment #G shows the median sales price by block group in Contra Costa County for 2016 (through October). The areas of the county with the lowest median housing price tend to be along the I-80 and Highway 4 corridors, including Richmond, San Pablo, Concord, Bay Point, Pittsburg, and Antioch.
- **Affordability** – Affordability is determined by housing price and household income, both of which vary significantly in Contra Costa County. The median sales prices at the block group level range from \$92,000 - \$2,200,000. Attachment #G keyed to show relative affordability to a household earning the median income in Contra Costa County (\$83,000), with areas in yellow being generally affordable.

Demographic Analysis of Housing Prices

Given the wide range of household incomes in the county, the ability to purchase a home varies considerably. Based on median household incomes published in the American Community Survey 2015 1-year estimates, an estimated 30 percent of county households are unable to purchase a home within Contra Costa County. Another estimated 28 percent

may be able to purchase a home under \$450,000. About 18 percent can afford a home up to \$750,000 and 24 percent can afford a home over \$1,000,000. As fewer households are able to purchase homes in Contra Costa County, more people become at risk of displacement.

Increasing Supply through Infill

As the Bay Area grows outward, there is an effort to provide more infill housing, including affordable housing, near transit and existing urban infrastructure. A report published by the United States Environmental Protection Agency states that public infrastructure costs, including sewer and water systems, streets, transit, school, and parks are greatly reduced for infill housing development. The report states: “One analysis of potential cost saving from smart growth development estimated that developers and new building occupants could save close to \$200 billion over 25 years (2000 – 2025) due to the need for less infrastructure if the projected 25 million new housing units built during this time followed smart growth principals.” Based on that quote, the average per unit savings is estimated at \$8,000 for infill housing units. The report also states that infill development retained its value better than outlying areas and areas with higher levels of walkability are correlated with better real estate performance for both commercial and residential properties.

There are also costs associated with vacant lots within the existing urban fabric. According to a report issued by the National Vacant Properties Campaign, there are increased municipal costs related to vacant sites due to crime, public nuisances, and health issues. Additionally, vacant properties result in a loss of property taxes and decrease surrounding property values.

However, developing high-density infill housing is more expensive than traditional suburban single-family development according to local developers, who have provided information to ABAG outlining the increased cost associated with infill housing. Increased costs per dwelling unit are due to site assemblage, material costs (concrete and steel versus wood construction), structured parking, and additional code requirements (fire controls, elevators, etc.). There is also less certainty with infill development, as infill projects may face opposition not encountered by projects in outlying areas. According to one Bay Area developer, the cost of infill housing can be three or four times the cost to develop low-density, single-family homes on the urban periphery. Naturally, these costs are passed on to buyers, which is one of the reasons infill housing can be quite expensive.

Transit Infrastructure

Supervisor Glover indicated that the analysis should consider transportation infrastructure. Attachment H is a series of maps showing the county’s public transportation and roadway networks along with the areas of potential development identified in the ULL analysis. These maps illustrate that most of the developable areas are either already served by, or located somewhat proximate to, existing bus routes. Bus routes across the county generally have significant unused capacity that could be utilized

by new development. Unfortunately, most of the developable sites are several miles from the nearest commuter rail station, meaning they are not viable locations for transit-oriented development in the traditional sense.

ULL Boundary Issues

LAFCO's Executive Officer requested that the County look at boundary issues involving the ULL (split/intersected parcels and "islands"). Attachment I is a series of maps addressing these issues.

The 353-mile ULL intersects approximately 600 parcels along 117 miles of its length. The vast majority of these parcels are either along the coastline or within one of the three Contra Costa cities that has adopted its own Urban Growth Boundary. A significant portion also are designated for open space or public/semi-public uses. There are relatively few privately-owned parcels intersected by the ULL. Staff notes that in many cases a parcel was intentionally intersected because it contained physically-constrained areas, such as steep slopes, which were unsuitable for development.

There are five ULL "islands" across the county. These are areas outside the ULL that are either entirely or substantially surrounded by land inside the ULL. As explained through the maps, these islands were created either because a city annexed the land around them or the ULL was moved in compliance with the provisions of Measure J, which was approved by Contra Costa voters in 2004. Staff notes that while these areas appear as islands on maps of the ULL, they are in most cases contiguous with adjacent undeveloped areas.

Conclusion

The purpose of the 2016 ULL review is to determine whether enough capacity exists inside the ULL to satisfy housing and jobs needs through 2036. Staff's analysis indicates large capacity surpluses for three of the four capacity measures [lower-density jobs (+approximately 79,000), higher-density housing (+approximately 43,000), and higher-density jobs (+approximately 98,000)]. While there is a countywide shortfall of approximately 500 units for the lower-density housing measure, this deficit is inconsequential for two reasons.

First, 500 units is an insignificant number when distributed across all 20 land use jurisdictions in the county over the next 20 years. Divided evenly amongst jurisdictions, each would have to provide only 1.1 additional units per year beyond their expected development levels in order to make up the deficit.

Second, the lower-density scenario is an exceptionally conservative estimate of capacity. The lower-density scenario assumes that development will continue to occur much like it has since the end of World War II, i.e., in a low-density sprawl pattern and that new housing and jobs will be added only on vacant land. Regulatory changes occurring at the State level, particularly relating to climate change/greenhouse gas emissions and environmental review, are intended to refocus development pressures inward by

encouraging higher-density, transit-oriented development, mixed uses, and development of vacant and underutilized parcels in already-developed areas. These State-mandated changes alone are likely to result in densities that are higher than modeled in the lower-density scenario and more in line with the assumptions made for the higher-density scenario.

Staff believes the analysis described above demonstrates that sufficient capacity exists countywide inside the ULL to accommodate housing and job growth through 2036. The analysis indicates that most of the growth anticipated by ABAG-MTC will be accommodated within the cities. As Measure L suggests, the Board may want to consider conducting a five-year cyclical review of the ULL in 2021 to determine whether growth is occurring as anticipated.

[1] Priority Development Areas (PDAs) are identified by Bay Area cities and counties as areas within their jurisdiction that are targeted for increased investment and new housing and job growth, and are included in Plan Bay Area 2040 prepared by ABAG-MTC. To be designated as a PDA, an area must be: 1) within an existing community; 2) within walking distance of frequent transit service; 3) designated for more housing in a locally adopted plan or identified by a local government for future planning and potential growth; and 4) nominated through a resolution adopted by a city council or county board of supervisors. ABAG-MTC projects over 70 percent of new housing growth and over 50 percent of new job growth will occur within the PDAs.

[2] The County Assessor assigns a use code to each parcel indicating how the parcel is utilized. For each parcel the Assessor also assigns valuations to the land and improvements. Where there is no improvement value, it can be assumed that the parcel is vacant or unimproved.

[3] General Plans contain land use designations that specify the type and intensity of development that can occur on a given parcel. While specific designations vary between jurisdictions, common categories include single- and multiple-family residential, commercial, industrial, mixed use, public use, agriculture, and open space. Residential designations typically specify an allowed density range expressed as units per acre. Commercial designations typically specify a floor area ratio, which is the square footage of allowed development relative to the size of the parcel.

[4] A Census Block Group is a geographical unit used by the United States Census Bureau. It is the smallest geographical unit for which the Bureau publishes sample data (i.e., data which is collected from a fraction of all households, as opposed to 100-percent data, which is collected from all households).

CONSEQUENCE OF NEGATIVE ACTION:

The 2016 ULL Review is required under Measure L - 2006. If the Board does not accept the report, then the County will be out of compliance with Measure L.

CHILDREN'S IMPACT STATEMENT:

Not applicable.

CLERK'S ADDENDUM

Speakers: Joel de Valcourt, Greenbelt Alliance.

ATTACHMENTS

Attachment A - Urban Limit Line Map

Attachment B - Measure L Voter Information Pamphlet

Attachment C - Board Order February 2, 2016

Attachment D - Urban Limit Line PowerPoint Presentation

Attachment E - Public Meeting Sign-in Sheets

Attachment F - Beacon Report

Attachment G - Housing Affordability

Attachment H - Transportation Network and Growth Capacity

Attachment I - Parcels Crossed by the ULL and Islands in the ULL