



DATE: January 21, 2020

TO: Mayor and City Council

FROM: Development Services Director

SUBJECT: Adopt a Resolution Supporting a Priority Production Area Designation in the Plan Bay Area 2050 for the Industrially Zoned Areas in the City of Hayward

RECOMMENDATION

That Council adopts a resolution (Attachment II) supporting a Priority Production Area (PPA) designation in Plan Bay Area 2050 for the industrially zoned areas in the City of Hayward (Attachment III).

SUMMARY

The Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) are currently updating the regional plan for the Bay Area, known as Plan Bay Area 2050 and are requesting cities to update their Priority Development Areas (PDAs) and Priority Conservation Areas (PCAs), if applicable. ABAG and MTC will be creating a new pilot program designation, known as Priority Production Areas (PPAs), to reflect the new focus of Plan Bay Area related to housing, transportation, the environment, and the economy.

The City currently has five areas designated as Priority Development Areas (PDA) and no areas designated as Priority Conservation Areas (PCAs). While the City's PDAs are proposed to remain unchanged, participation in the new Priority Production Area (PPA) program requires that cities adopt a Resolution of support by January 2020 that formalizes the city's commitment to economic growth in industrially zoned areas. Consistent with the vision of the recently updated Industrial District regulations that supports broad economic growth and diversity, a Priority Production Area (PPA) designation would enable the City to be eligible for possible grant monies and infrastructure improvements once funding sources are identified.

BACKGROUND

Plan Bay Area is the region's long-range Regional Transportation Plan (RTP) and Sustainable Communities Strategy (SCS). Pursuant to Senate Bill (SB) 375, the purpose of the combined RTP/SCS is to align long range land use planning with regional transportation improvements and funding to enable a more sustainable development pattern. Plan Bay Area is essentially providing an alternative to the "business as usual" scenario for the Bay Area, in that it aligns

land use and transportation to focus high density, mixed use, compact growth in areas where there is transit and services to support alternatives to single occupancy vehicle use, which is one of the largest contributors to GHG emissions.

Plan Bay Area 2050 is a long-range plan charting the course for the future of the nine-county San Francisco Bay Area. Plan Bay Area 2050 will focus on four key issues—the economy, the environment, housing, and transportation—and will identify a path to make the Bay Area more equitable for all residents and more resilient in the face of unexpected challenges. Building on the work of the Horizon initiative, this new regional plan will outline strategies for growth and investment through the year 2050, while simultaneously striving to meet and exceed federal and state requirements. The Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) are expected to adopt Plan Bay Area 2050 in summer 2021.

As part of the Plan Bay Area 2050 update, cities are beginning to identify and update priority development areas to help meet the Plan goals and objectives. The new Plan relies heavily on updated Priority Development Areas (PDAs) and Priority Conservation Areas (PCAs), coupled with newly designated Priority Production Areas (PPAs). The key change to PDAs is the establishment of Transit-Rich and Connected Community categories, which apply to existing and new PDAs. The new PDAs: include defined timelines; require more frequent transit service for areas designated as “transit-rich” and less frequent service for Connected Community PDA; include an equity component that reflects state-designated as High Resource Areas (HRAs); and requires those areas which are not designated as HRAs to adopt policies that encourage vehicle-miles traveled (VMT) reduction.

DISCUSSION

Plan Bay Area 2050. Plan Bay Area 2050 will outline a roadmap for the Bay Area’s future. While it will pinpoint policies and investments necessary to advance the goal of a more affordable, connected, diverse, healthy, and vibrant Bay Area, Plan Bay Area 2050 neither funds specific infrastructure projects nor changes local policies. Cities and counties will retain all local land use authority. Plan Bay Area 2050 does identify a potential path forward for future investments – including infrastructure to improve our transportation system and to protect communities from rising sea levels – as well as the types of public policies necessary to realize a future growth pattern for housing and jobs.

Plan Bay Area 2050 is being created using five guiding principles, which were developed in conjunction with members of the public, partners, and elected officials. These include:

- **Affordable:** All Bay Area residents and workers have sufficient housing options they can afford – households are economically secure.
- **Connected:** An expanded, well-functioning, safe, and multimodal transportation system connects the Bay Area – fast, frequent, and efficient intercity trips are complemented by a suite of local transportation options, connecting communities and creating a cohesive region.
- **Diverse:** The Bay Area is an inclusive region where people from all backgrounds, abilities, and ages can remain in place – with full access to the region’s assets and resources.

- **Healthy:** The region’s natural resources, open space, clean water, and clean air are conserved – the region actively reduces its environmental footprint and protects residents from environmental impacts.
- **Vibrant:** The Bay Area is an innovation leader, creating quality job opportunities for all and ample fiscal resources for communities.

Plan Bay Area 2050 will tackle four topic areas – transportation, housing, the economy, and the environment – while integrating the cross-cutting issues of Equity and Resilience. Notably, strategies to address equity in earlier versions of Plan Bay Area have fallen short of key equity goals, such as addressing regional affordability. As such, bolder strategies are necessary to effectively address this challenge. Similarly, the strategies from Plan Bay Area 2040, adopted by MTC and ABAG in 2017, struggled to be resilient when analyzed against a suite of technological, economic, political, and environmental uncertainties in the planning process. As such, MTC and ABAG are proposing to adopt a new Plan that will accomplish the broader set of goals.

Plan Bay Area 2040 vs. Plan Bay Area 2050. Plan Bay Area 2050 will be a major update to the current regional plan, and it will take a fresh approach when compared to our past plans: Plan Bay Area (2013) and Plan Bay Area 2040 (2017). Past regional planning efforts in the Bay Area and across the country have focused on developing a fixed set of assumptions for the future and then choosing the optimal strategies. However, MTC and ABAG anticipates the Bay Area will face some unexpected challenges in the decades ahead related to transportation, housing, the economy, and the environment. By leveraging nearly two years of previous work from the Horizon initiative, Plan Bay Area 2050 will integrate the most resilient and equitable strategies in order to help prepare the Bay Area for a broad range of potential challenges. Plan Bay Area 2050 will also incorporate economic and environmental issues more deeply into the Plan, and for the first time, it will feature strategies to prepare for sea level rise and earthquakes. Lastly, Plan Bay Area 2050 is expected to integrate new regional revenue sources that may become available in the future, which could play a critical role in tackling the region's significant challenges, including growing commute times and rising sea levels.

While Plan Bay Area 2050 seeks to meet and exceed federal and state planning requirements, it will be designed to offer a more aspirational vision of what the Bay Area could become. In close coordination with local and regional partner agencies, MTC and ABAG will work to implement the transformative ideas featured in the Plan starting in late 2021.

Plan Blueprint. The proposed Plan Bay Area 2050 Blueprint (“the Blueprint”) will integrate strategies for all four elements of the Plan – the economy, the environment, housing, and transportation – to create a more resilient and equitable future for the region. Creating the Blueprint is the first step toward creating the Plan itself.

The Blueprint process starts first with integrating key strategies analyzed through the Horizon initiative, both from Futures Planning and from Project Performance Assessment. Working with stakeholders and residents in fall 2019, MTC and ABAG worked to identify a suite of transportation, housing, economic, and environmental strategies that will produce the best outcomes for the Bay Area, regardless of what happens in the decades ahead.

While still remaining fiscally constrained per Federal planning requirements, the Blueprint will likely incorporate significant new revenues that could fund transportation, housing, economic, and/or environmental strategies. Beginning in late 2019 and finishing in summer 2020, MTC and ABAG staff will incorporate the identified strategies into two fiscally constrained versions of the Blueprint:

- *Blueprint Basic*: includes available revenues from the Needs and Revenue assessments but does not include New Revenues from future regional measures.
- *Blueprint Plus*: includes available revenues from Needs and Revenue assessments as well as approximately \$100 billion in new revenues distributed across one or more of the Plan elements.

Staff anticipates any new funding dedicated towards the development and support of PPAs in the City of Hayward would originate in the Plan's Blueprint strategy.

The Economy and Plan Bay Area 2050. Economic cycles have been keenly felt in the Bay Area, with dramatic booms and equally precipitous busts. Plan Bay Area 2050 will be the first comprehensive planning effort in the Bay Area to look beyond transportation and housing to plan for shifts in the regional economy. These issues will be at the foundation of the Economy Element, one of the four areas of focus, along with the environment, housing, and transportation, in Plan Bay Area 2050.

MTC and ABAG will develop a short-term Implementation Plan for how the region can work to take action to enact the strategies adopted in Plan Bay Area 2050. The Implementation Plan will outline tangible actions related to the Economy Element of Plan Bay Area 2050 that MTC, ABAG, and their partners could advance to realize this shared vision.

Plan Bay Area 2050 will include designations for updated Priority Development Areas (PDAs) and Priority Conservation Areas (PCAs) as well as newly designated Priority Production Areas (PPAs). Together, PDAs, PCAs and PPAs will comprise Plan Bay Area 2050's Regional Growth Framework, the Bay Area's strategy for coordinating housing and job growth. This Framework will shape the investments and growth pattern detailed in the Plan.

MTC, to date, has invested more than \$800 Million in PDAs. MTC and ABAG in May 2019 established a pilot program for PPAs and adopted revised definitions and eligibility criteria for PDAs and PCAs. As part of the update, MTC and ABAG have opened an application window for new priority areas and directed MTC/ABAG staff to work with city and county governments and county transportation agencies to ensure all PDAs meet program criteria.

Proposed Priority Production Area: While specific details are still being developed, the PPA pilot program is intended to support strong clusters of the region's economy by enhancing and protecting selected industrial areas through supportive resources and implementation actions; encouraging middle-wage job growth close to affordable housing; and supporting networks of production, distribution and repair services, including advanced manufacturing. In order to be designated as a PPA, the area must meet the four criteria below:

- **Zoning & Land Use:** PPAs need to be zoned for industrial use or have a high concentration of industrial activities such as production, advanced manufacturing, distribution, or related activities.
- **Location:** PPAs cannot be within ½ mile of a regional rail station or overlap with a PDA.
- **Designation Flexibility:** Jurisdictions may redesignate all or part of an existing PDA that is beyond ½ mile of a regional rail station.
- **Housing:** The jurisdiction must have a certified housing element.

For Hayward, staff is recommending a Priority Production Area designation of approximately 3,448 acres of industrially zoned property (Attachment III). The proposed area seeks to preserve and elevate the largest concentration of industrial uses within the City of Hayward. The predominant industries in this area, which coincide with the City’s largest employment generators, include companies involved in the manufacturing of advanced materials, pharmaceuticals, custom machinery and machined parts, food and beverage products, medical devices, and automotive parts. The industrial business parks closest to the west-bound termination of the San Mateo-Hayward bridge are also home to a budding cluster of biotechnology related companies. Specifically, the City has placed a high priority on the retention and expansion of industries that fall within an industry cluster described as “Advanced Industries.” Companies under this cluster span across 50 different industry sectors, ranging from traditional manufacturing to life science, information technology and other research and development companies.

As part of this PPA designation, the City is supporting the expansion of all advanced industries. Specific sectors being targeted through business attraction, retention, and expansion efforts include:

- Biotechnology and life science companies, including those in research and development and manufacturing of medical devices, pharmaceuticals, and software;
- Specialty food and beverage manufacturing, specifically companies developing new sustainable food products,
- Clean technology companies, including those developing new services and physical products in the arena of water quality, renewable energy, energy efficiency, electric vehicle batteries, and recyclable materials.
- Traditional manufacturing, including makers of physical products that fall within the OEM supply chain for automotive, semiconductor, and life science industries.

While additional funding benefits for Priority Production Areas designations have yet to be determined, PPAs will be identified in Plan Bay Area 2050 and may help better position the City for future planning and investment. Based on the success of this pilot program, ABAG and MTC have indicated they would work with the City to identify funding opportunities and/or technical assistance to support additional planning and infrastructure improvements.

Priority Development Areas. The City of Hayward has five identified PDAs. Hayward’s PDAs were included in the *Hayward 2040 General Plan* and include: Downtown; South Hayward BART Urban Neighborhood; South Hayward BART Mixed Use Neighborhood; Mission Boulevard Corridor; and the Cannery.

The development patterns set forth in Plan Bay Area are supported through implementation efforts such as neighborhood-level planning grants and local technical assistance. Plan Bay Area also provides funds to support neighborhood active transportation, Complete Streets projects, climate initiatives, lifeline transportation and access initiatives, safety programs, and PDA planning. Hayward's Downtown Specific Plan and Vehicle Miles Traveled (VMT) grant were primarily funded through the MTC/ABAG grant programs for planning and staffing assistance.

Basically, Plan Bay Area uses planning and transportation funding to prioritize development within the PDAs; however, the loss of Redevelopment Agency funding has left many jurisdictions with few resources and tools to ensure that this development is constructed at the densities, and with the required infrastructure, transit, and other non-auto related amenities and services envisioned by the Plan Bay Area.

While Plan Bay Area 2050 does not impact the City's PDA designated areas, there are new criteria that need to be met in order to maintain these designations. Specifically, the criteria focus on planning and transit. Priority Development Areas will now be classified as "Transit-Rich" or as part of a "Connected Community." Three of the five PDA designated areas in Hayward are considered "Transit-Rich" (Downtown, South Hayward BART Urban Neighborhood, The Cannery) and the remaining two PDA areas (Mission Boulevard Corridor and South Hayward BART Mixed-Use Corridor) are designated as a "Connected Community" PDA and require the City commit to adopt vehicle-miles traveled (VMT) reduction strategies. As detailed below, the City is already working on VMT reduction strategies as part of the PDA Staff Assistance Grant and no additional action is required for compliance with the new guidelines.

VMT Reduction Strategies. As part of the funding received from MTC's Priority Development Area Staffing Assistance Grant, the City and transportation consultant, Nelson Nygaard, are currently working collaboratively to develop a suite of VMT reduction strategies in response to SB743 legislation, signed into law in 2013. SB743 requires that CEQA analysis related to traffic congestion, typically measured through Level of Service (LOS), be replaced with a VMT model to streamline development and environmental review for projects on infill sites near transit and services, including the establishment of transportation demand management strategies that reduce vehicle miles traveled. Once adopted and amended within the General Plan, the VMT reduction strategies will reduce total vehicle trips and support transportation demand management efforts Citywide, including streamlined development review in the City's five Priority Development Areas (PDAs). Aside from transportation impacts, a citywide VMT reduction will also reduce total GHG emissions and help the City further achieve its Climate Action Plan goals.

Hayward 2040 General Plan and Industrial Districts. The *Hayward 2040 General Plan* recognizes the Industrial Technology and Innovation Corridor (Industrial Corridor) and the Mixed Industrial General Plan land use designations as important economic assets that must be protected and enhanced. Adopted in 2014, the General Plan contains goals and policies to support land use changes that will help Hayward expand from a primarily warehousing and manufacturing-based economy to an information, technology, and advanced manufacturing-based economy. The General Plan also includes Implementation Program Land Use (LU-11), which recommends updates to the industrial regulations sometime between 2017-2019, to achieve Industrial-related General Plan goals and policies.

The Economic Development Strategic Plan 2014-20183 (EDSP) also contains goals related to the Industrial District. These include but are not limited to: IS4.A, to ensure that current zoning allows for desired uses; and IS4.D, to develop preferential zoning areas that support the desired business types, which include advanced manufacturing and research and technology-based uses.

In 2015, the Economic Development Division prepared an Industrial Technology and Innovation Corridor Baseline Profile: to provide a snapshot of industrial businesses located in Hayward; to create a database of major employers and trends; to identify locations of industry clusters; and to determine the most effective and efficient way to implement General Plan and EDSP goals and policies outlined above. Key recommendations from the Baseline Profile included: exploring land use and zoning policies to attract advanced industries; to encourage development and redevelopment of flexible industrial spaces; to develop infrastructure and amenities to attract advanced industries; and, to foster partnerships to grow certain industry sectors. Designation of the City's industrial areas as a Priority Production Area in Plan Bay Area further supports the goals and policies of the General Plan.

FISCAL AND ECONOMIC IMPACT

There are no immediate fiscal or economic impacts to the City that are associated with this report or support of these resolutions.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Strategic Initiative is to create and support structures, services and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This agenda item supports the following goal:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

PUBLIC CONTACT

The agenda for this item was posted in compliance with the California Brown Act and does not require additional public notice.

NEXT STEPS

If Council approves the resolution, staff will continue to work collaboratively with MTC and ABAG for a pilot Priority Production Area designation in Plan Bay Area 2050.

Prepared by: Jeremy Lochirco, Principal Planner

Recommended by: Laura Simpson, Development Services Director

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written over a horizontal line.

Kelly McAdoo, City Manager