



BRION & ASSOCIATES

March 5, 2015

Mr. Paul Campos
Sr. Vice President, Governmental Affairs
General Counsel
Building Industry Association of the Bay Area
1350 Treat Blvd., Suite 140
Walnut Creek, CA 94597

Subject: Comments on 2015 MTC Goods Movement Needs Assessment and Industrial Land Supply; B&A #2506

Dear Paul,

We have reviewed the Public Draft 2015 MTC Goods Movement Needs Assessment Study (Draft Needs Assessment herein)¹ and related materials at your request, as it pertains to industrial land supply. We have the following broad comments about the nature of the findings related to the perceived shortage of industrial land.

The draft Needs Assessment includes a very short section (one page) on Industrial Land Supply (see Section 3.4). This section relies on the findings of a 2008 Goods Movement study, and makes mention of a regional industrial land supply study currently being undertaken by ABAG. Based on our recent research, it appears that ABAG is not undertaking this study, but rather just participating in its review and agreeing to provide data as needed to support the study.² The study is being prepared by Professor Karen Chapple of UC Berkeley, within the Department of City and Regional Planning. It is also our understanding that this study is being funded by Caltrans through the UC Transportation Center (UCTC) although this has not been confirmed by us. The scope of work for this study, as provided to the BIA from MTC is attached to this letter as **Attachment A**. This study is expected to be finished by January 2016.

We have the following comments regarding the current statements made in the Draft Needs Assessment and also on the draft scope of work for the Industrial Land Supply. These comments go hand-in-hand, and given that the Needs Assessment relies on the potential findings of the Industrial Land Supply Study, they cannot be completely separated.

¹ The full study is called "MTC Regional Goods Movement Plan, Task 3C: Identify Gaps, Needs, Issues and Opportunities" Draft Technical Memorandum, prepared for Metropolitan Transportation Commission by Cambridge Systematics, Inc with AECON, Transportation Analytics (no date).

² Based on email discussions with Johnny Jamarillo, ABAG, February 19, 2015 and a telephone conversation with Cynthia Knoll, ABAG, March 2, 2015.

Comments on the Draft Needs Assessment

1. The reference to ABAG conducting the Industrial Lands Survey needs to be updated and clarified as to ABAG's role, and the actual sponsors and authors as noted above (p. 3-27).
2. The current one page section in the Draft Needs Assessment regarding industrial land makes sweeping statements that have not be substantiated at this time. They are relying on analyses from a 2008 study that is based on data that is as old as 2000.
3. The Draft Needs Assessment presumes that a shortage of industrial land is the major problem facing transportation companies. The Draft Needs Assessment study has focused on the transportation industry representatives without considering the broader complex set of issues that affect land planning in the Bay Area. There is significant competition for multiple land uses at this time, including for-sale and rental housing, affordable housing, office, R&D, as well as industrial space. However, there is a large amount of currently built industrial facilities and land throughout the East Bay I-880 corridor that is vacant and/or underutilized, for example. The only land use that could be considered over-supplied in the Bay Area is retail as most cities chase after retail because of its sales tax generating aspect. The environmental impacts of dispersed housing throughout the greater Bay Area out into the Central Valley are also significant yet not mentioned. Goods movement is one aspect of the economy that has to be balanced with competing needs and a shortage of developable land all around.
4. The Draft Needs Assessment's preliminary conclusions on these issues are over broad and not fully supported by the studies cited--the principal one representing as assessment of conditions almost a decade ago. This, together with the fact that the Industrial Land Supply study to be prepared by Karen Chapple (that will presumably provide accurate up-to-date information) is in progress and scheduled for completion at the end of this year strongly suggests that the industrial land supply part of the Goods Movement study should be separated out and dealt with after the Chapple work is completed.

Industrial Land Study Scope by Karen Chapple, UC Berkeley

5. The use of the term Production, Distribution and Repair (PDR) is inappropriate for this study. It is a concept that was developed in San Francisco for the Eastern Neighborhoods planning effort by City planners. It is not a land use category that is widely known or used in the Bay Area or planning in general. It is not used by cities and counties for zoning purposes. Also, it is not used by the real estate brokerage houses or by ABAG in its forecasts. In addition, this category of land use is not related to large

scale warehouse and distribution, airport, and seaport uses, which is the focus of the Draft Needs Assessment. Given that this use isn't generally used or understood and makes up an extremely small portion of the overall economy, having this use defined as a focus of the study is inappropriate.

6. While there is mention of ABAG's role in planning for housing throughout the Bay Area, the study scope does not appear to address this issue directly. Is the scope going to include an assessment of the various land and development needs by land use activity or function? Will it address the competition between housing and industrial uses along key transportation corridors? The current scope seems focused on industrial jobs and goods movement only. What about the impacts of having all workers (not just transportation-related workers) commuting longer distances as they seek affordable housing in the periphery of the Bay Area, including the Central Valley.
7. The scope does not seem to consider the financial and other economic issues around the development of industrial property in the Bay Area given current construction costs and low rents. Even if land is set aside for goods movement businesses, current rents do not support construction costs in most situations unless land has a low land value. There is also a large supply of vacant industrial space that is not being utilized. An assessment of how to make use of this supply before designating industrial land protection zones should be undertaken.
8. The study needs to address all the land needs of the diverse Bay Area economy and not just goods movement businesses. There needs to be a balance of uses that create a vibrant economy. By definition, land development needs to become denser overall, and more efficient.
9. There does not seem to be any consideration of new technologies concerning goods movements that could change the nature of land use needs, such as drones. The scope seems to be written from a "status quo" point of view. That is, the scope presumes the need to set aside land for traditional modes of transportation that are no longer completely feasible in the Bay Area. If the study just replicates what was done in 2008 it will be a disservice to the needs of our current economy.
10. The scope of work in Attachment A provides a good discussion of the issues but it does not define how the study will be conducted, what methodology will be used, what data will be used, what data limitations exist, and how it will gather data, particularly estimates of industrially zoned land. It also does not mention the need to consider underutilized land and buildings, including vacant buildings, to meet the needs of the goods transportation industry. Nor does it provide a discussion of the actual staff that will conduct the study. Will it include the right mix of professionals with experience on

*Paul Campos
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this issue or will it be mainly conducted by graduate students with little experience in these matters?

In summary, without having the industrial land study completed it is difficult to provide definitive comments on the Draft Needs Assessment. Given the broad brush nature of the discussion in the Draft Needs Assessment relative to the magnitude of the nature of the issue, we believe a more objective scope of work is warranted for the Industrial Land Study.

Overall, I recommend that Section 3.4 on industrial land supply and any references therein to this section be removed from the Draft Needs Assessment at this time. The Goods Movement study can be finalized and the industrial land study should be published subsequently. The outcome of the industrial land supply study seems to be a “given” in that it will confirm there is a shortage of industrial land before the work is even completed. In addition, the industrial land study needs to be broadened to include consideration of all the economic activities that comprise the Bay Area, including the need for housing and other non-residential uses and not just industrial land.

I hope you find these comments useful. Please do not hesitate to contact me if you have further questions or comments. I can be reached at joanne@brionassociates.com or at 707-494-6648.

Best Regards,

A handwritten signature in cursive script that reads "Joanne Brion". The signature is written in black ink and is positioned above the typed name and title.

Joanne Brion
Principal

Attachment A

The Industrial Land and Job Study, funded by UCTC, will complement several efforts including the ongoing MTC / ACTC Goods Movement Study, and ABAGs' Housing Program that provides research and tools to enable the region to meet its projected housing need. The goal of this project is to understand the opportunities and challenges in our industrial lands. How are we using our industrial land? How are the businesses and activities on this land changing? What are their needs and what role do they play in the regional economy? Answers to these questions will help us begin to identify land use strategies that support a prosperous and diverse economy and workforce in the Bay Area.

For more information on the study, please refer to the summary scope of work below or contact Karen Chapple at chapple.berkeley.edu

Industrial Land and Job Study

Draft Research Scope

January 2015 – January 2016

Prof. Karen Chapple, UC-Berkeley, Principal Investigator

The location of Industrial *Production, Distribution, and Repair* (PDR) businesses within the nine-county Bay Area has important implications for regional sustainability and jobs. Locating wholesale distributors in particular near major trading ports and city centers on industrial lands where space is relatively more affordable provides access to key local markets that helps ensure the efficient movement of goods. The recent growth of the Bay Area's lighter "maker and artisanal goods" industries, from catering businesses to pet facilities to coffee roasters and chocolatiers, gain productivity benefits from clustering in the core. Displacing these to outlying areas – a trend that is already occurring – has economic impacts and significantly increases vehicle miles traveled (VMT) from trucks (Hausrath Economics Group and Cambridge Systematics 2008). Displacement of these firms may also increase VMT for workers, should their job accessibility decrease, or result in a loss of employment if the firm moves outside the Bay Area altogether.

Growth in recent decades has put pressure on industrial land owners to convert prime areas along the waterfront to needed residential and office uses, despite vacancy rates of just five percent. As of the late 2000s, 38% of industrial land in selected Bay Area sub-regions was planned for new office, residential, or mixed uses (Hausrath Economics Group and Cambridge Systematics 2008). Although demand from some businesses on industrial land is steady or growing, the amount of warehouse and manufacturing space in central areas is declining: in a recent five-year period in the East Bay, about seven percent of building space was lost or converted (ibid). Even if this land remains industrial, the supply is projected to be insufficient to accommodate demand by 2035 (ibid.). This could cause many businesses on industrial land to

shift location to outlying areas, or adjacent lower-cost regions such as the Central Valley, possibly increasing VMT and greenhouse gas emissions and reduce the number of relatively well paying jobs these industries tend to provide (Center for the Continuing Study of the California Economy and SPUR 2014).

MTC and ACTC are currently revisiting the issue of goods movement creating an opportunity to collaborate on a complementary study of industrial land supply. We have worked with ABAG and MTC to develop this draft scope of work. This UC Berkeley study proposes to:

- Analyze the function of and demand for industrial/PDR land in the economy of today and tomorrow;
- Describe the current supply and location of industrial/PDR land, and develop a typology of businesses currently located on industrial land that includes their projected growth trends and location in the region;
- Identify likelihood of industrially zoned land to be converted to other uses and the reasons for this loss such as obsolescence of industries, demand from more profitable uses that can pay more for space, outdated industrial land use controls, and so forth.
- Analyze the potential economic, employment and transportation impacts of industrial land conversion on job quality and accessibility, other industry sectors, and VMT and possibly GHG (based on estimates of employee travel and goods movement),
- Assess the effectiveness of different types of industrial zones at supporting industrial/PDR uses (where warranted). Local zoning regulations (such as manufacturing, mixed use, or industrial protection zones) across the nine-county region differ in their ability to support businesses on industrial land.
- Estimate future needs for industrially zoned land and, as needed, develop strategies that support businesses on industrially zoned land that complement the policy and planning approaches under development by MTC / ACTC to support sustainable goods movement in the region and ABAG's research to enable the region to meet its projected housing need.