WELCOME | ABAG Housing
Methodology Committee

August 13, 2020

REFINING METHODOLOGY CONCEPTS

ABAG Housing
Methodology Committee

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Today's agenda

- Brief presentation by staff, with **most time devoted to committee discussion**

- Continue conversation about using Plan Bay Area 2050 in the RHNA methodology

- Discuss key decisions for finalizing structure of RHNA methodology:

  - Which *baseline allocation* should the methodology use?

  - Should we *incorporate Plan Bay Area 2050* in the methodology, and if so, how?

  - What *income allocation approach* should the methodology use?

- Once decisions about structure are in place, discuss *factors and weights*

- Confirmation about *performance evaluation metrics* at meeting on August 28

Association of Bay Area Governments

Should Plan Bay Area 2050 be used in the RHNA methodology?

- At July HMC, staff presented two options:

    - Use the Blueprint as the sole factor for allocation RHNA units

    - Use the Blueprint household growth distribution as the baseline allocation

- Some support for using the Draft Blueprint, but also concerns about its emphasis on growth in the South Bay

- Lots of discussion, but no conclusions

Should Plan Bay Area 2050 be used in the RHNA methodology?

- There is alignment between the Plan and RHNA/HMC priorities
  - Draft Blueprint achieves many positive housing- and equity-related outcomes
  - Housing near jobs and to communities exhibiting racial and economic exclusion
- And also critical differences between the Plan and RHNA process/outcomes
  - Both must meet multiple objectives, but different statutory priorities
  - Plan implementation is based on incentives; RHNA compels local action
  - Forecasted development pattern could adjust between Draft Blueprint and Final Blueprint
- Using the Plan's Blueprint in the RHNA methodology would:
  - Communicate that we are moving toward a unified vision for the Bay Area's future
  - Accelerate toward a more equitable and less segregated land use pattern in the near-term as a bridge to Plan's future vision
- **Conclusion:** need to balance Blueprint growth pattern with emphasis on allocations to high resource areas, distributing RHNA units more evenly throughout the region

New Options for using Plan Bay Area 2050 in RHNA

1. New **baseline allocation option using Future Year 2050 Households** from the Draft Blueprint

2. Continue using 2019 household baseline, but **integrate new allocation factor using Future Housing Growth from Draft Blueprint.** Both concepts use this new factor alongside the Access to High Opportunity Areas factor, and both are paired with the Households 2019 baseline allocation.

    a) One concept, *Bottom-Up - Balanced Blueprint/High Resource Areas*, uses the Bottom-Up approach.

    b) The other concept, *Income Shift 125% - Balanced Blueprint/High Resource Areas,* uses the Income Shift approach.

Methodology Concepts using *Future Housing Growth* Factor

Bottom-Up - Balanced Blueprint/ High Resource Areas	Income Shift 125% - Balanced Blueprint/High Resource Areas
Very Low <u>and</u> Low • Access to High Opportunity Areas 70% • Future Housing Growth 30% ***Moderate <u>and</u> Above Moderate*** • Future Housing Growth 70% • Access to High Opportunity Areas 30%	• Access to High Opportunity Areas 50% • Future Housing Growth 50%

Building the methodology: baseline allocation

- Part 1 of RHNA methodology structure is choosing the baseline allocation

- Potential options:

  - Households 2019

  - Future Housing Growth 2015-2050 (Draft Blueprint)

  - Future Year 2050 Households (Draft Blueprint) *– New option*

  - Urbanized Land Area *– New HMC-requested option*

  - Existing jobs *– New HMC-requested option*

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New baseline option: Future Year 2050 Households

- Staff proposal: total number of households in 2050 from the Draft Blueprint

- Middle path between options presented in July — considers a jurisdiction's existing households as well as its household growth from the Draft Blueprint

- More even growth distribution than Future Housing Growth baseline

- Aligns directly with Plan Bay Area 2050, thus incorporating transit, hazards, and market feasibility

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New baseline option: urbanized land area

- Baseline using land area prevents past land use decisions from impacting RHNA methodology outcomes

- Methodology approach: Census Bureau definition of urbanized land area, excluding lands protected under federal or state programs

  - Uses publicly available data sources

  - Consistent with statutory language
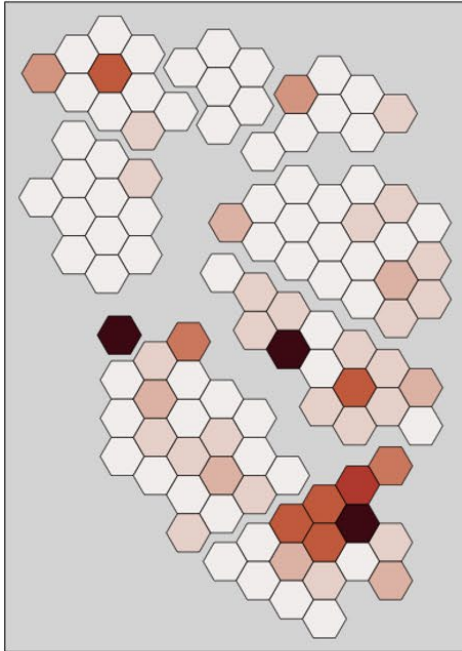
New baseline option: existing jobs

- Aligned with HMC goals confirmed at June meeting:

  - Directing more housing to jurisdictions with more jobs than housing

  - Focusing on the relationship between housing and jobs

- Methodology approach: Census Bureau LEHD data about total jobs (most recently updated in 2017)
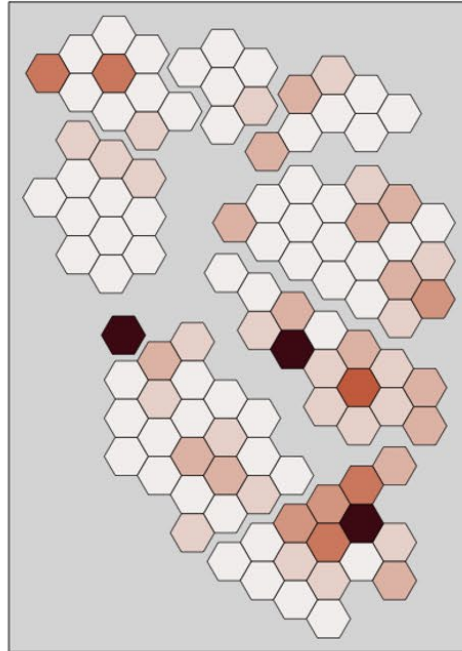
Considering baseline allocation options
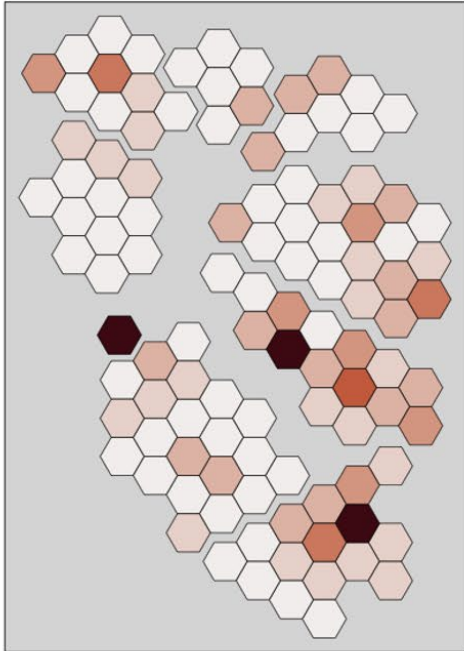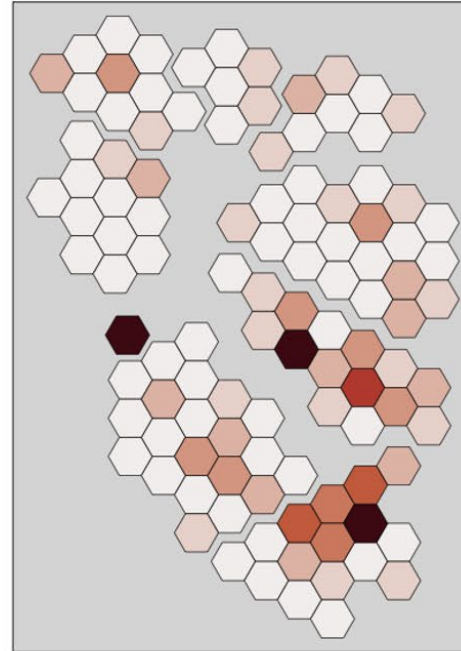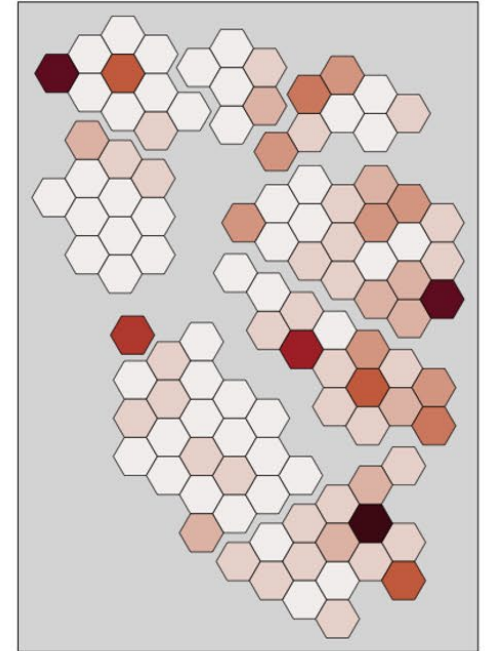

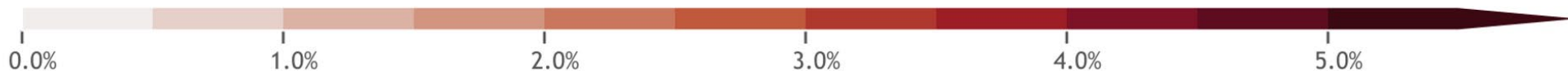Households 2019 | Housing Growth (Blueprint) | 2050 Households (Blueprint) | Existing Jobs | Urbanized Land Area
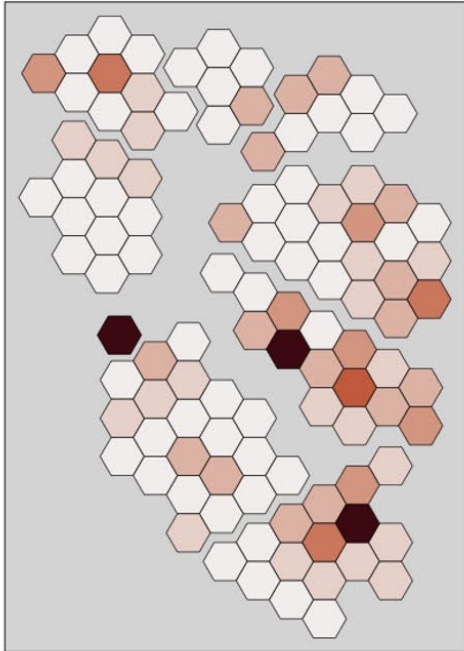
Percent of Total

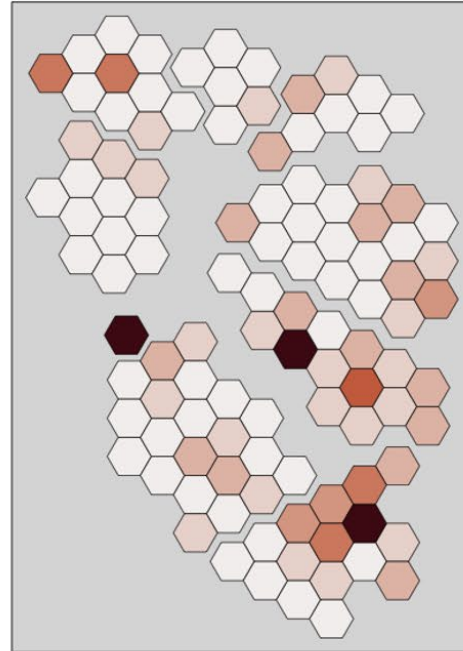0.0%   1.0%   2.0%   3.0%   4.0%   5.0%

Baseline allocation options for today's discussion

Households 2019

2050 Households
(Blueprint)

Percent of Total

0.0%   1.0%   2.0%   3.0%   4.0%   5.0%
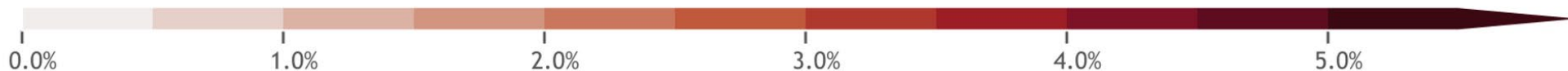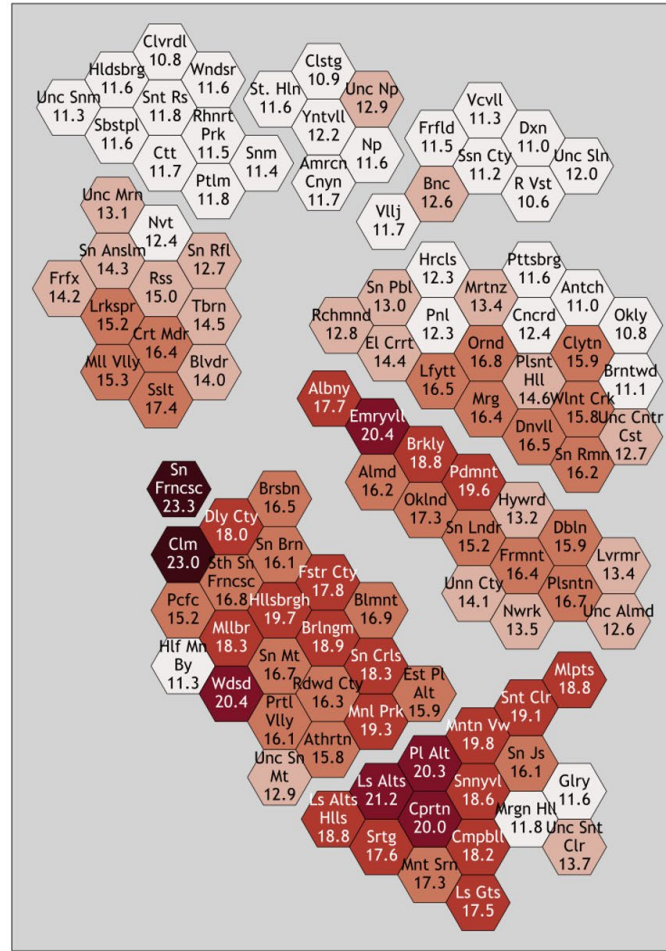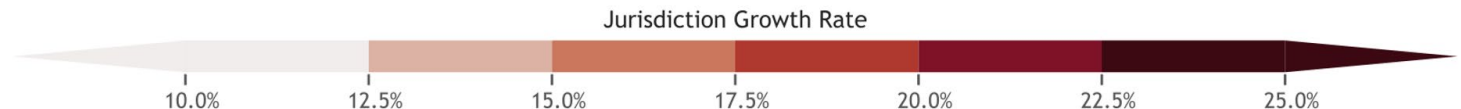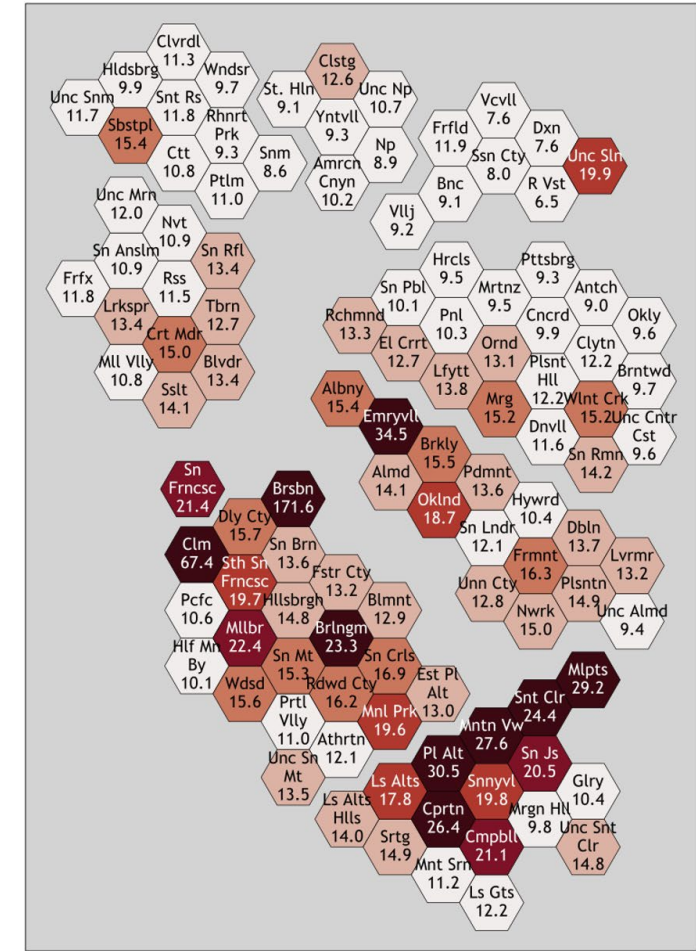
Effects of different baselines on allocation patterns

How does the **Bottom-Up - 3-Factor** concept differ when using the Households 2019 baseline (on the left) compared to the 2050 Households (Blueprint) baseline (on the right)?

Bottom Up 3-Factor Concept (Bsln:Households 2019)

Bottom Up 3-Factor Concept (Bsln:2050 Households (Blueprint))

Jurisdiction Growth Rate

Effects of different baselines on allocation patterns
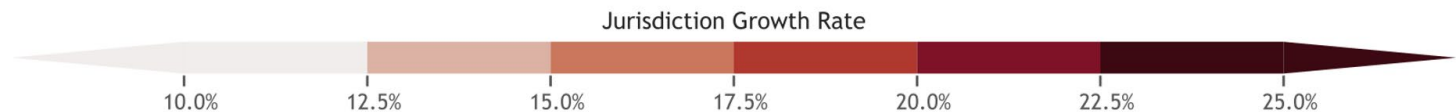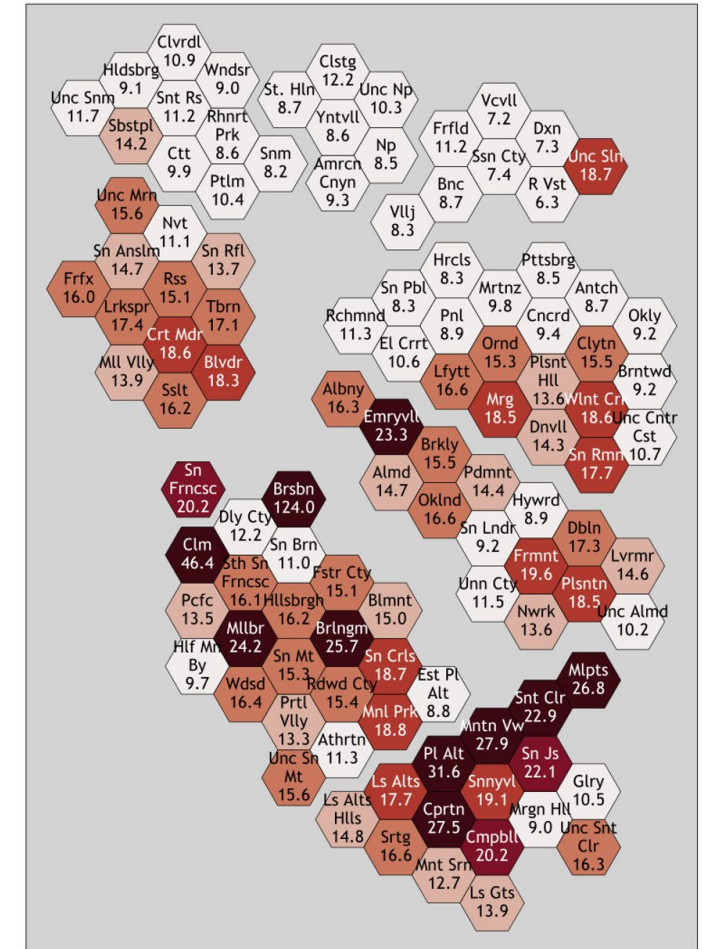
How does the **Income Shift 125% - Housing/Jobs Crescent** concept differ when using the Households 2019 baseline (on the left) compared to using the 2050 Households (Blueprint) baseline (on the right)?

Housing/Jobs Crescent + 125% Income Shift
(Bsln:Households 2019)

Housing/Jobs Crescent + 125% Income Shift
(Bsln:2050 Households (Blueprint))

Jurisdiction Growth Rate
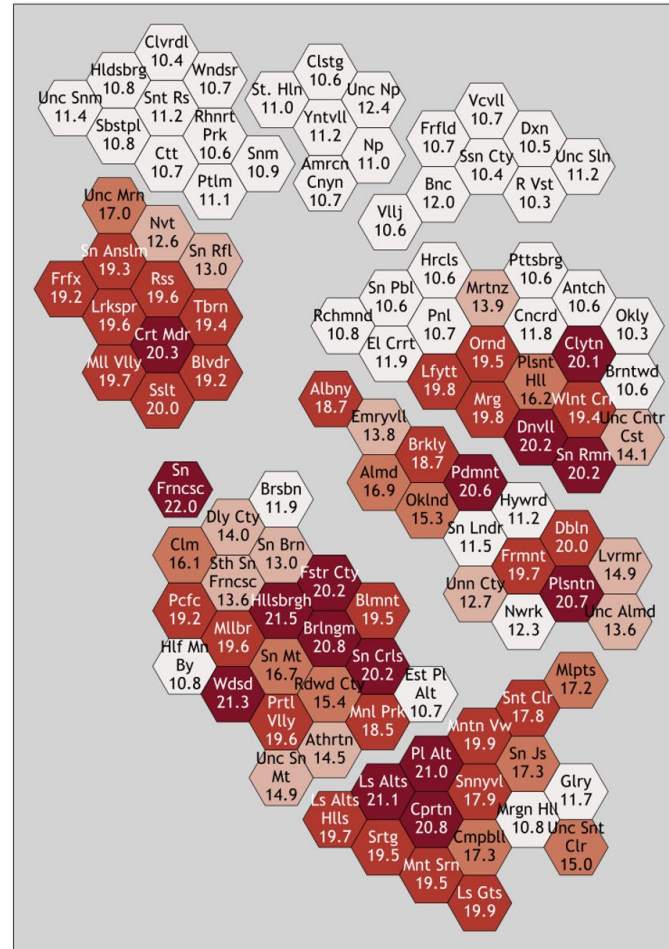
Alternative: Blueprint as factor?

How does the **Balanced Blueprint/High Resource Areas** concept differ between the **Income Shift** approach (on the left) and the **Bottom-Up** approach (on the right)?

Balanced Blueprint/High Resource Areas + Income 125% Shift
(Bsln:Households 2019)

Bottom-Up Balanced Blueprint/High Resource Areas
(Bsln:Households 2019)

Jurisdiction Growth Rate

10.0%   12.5%   15.0%   17.5%   20.0%   22.5%   25.0%

16
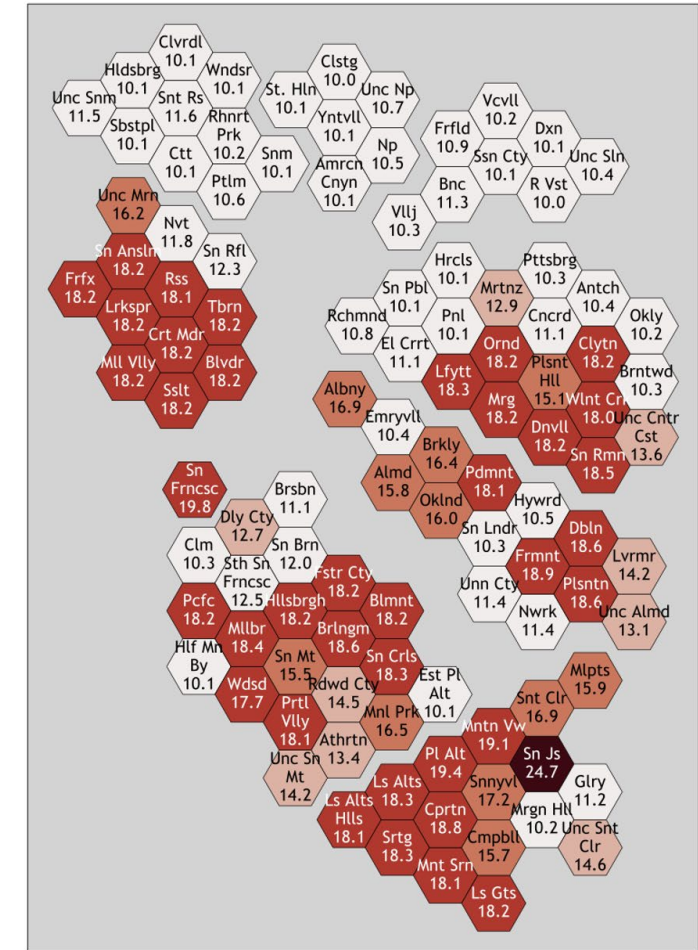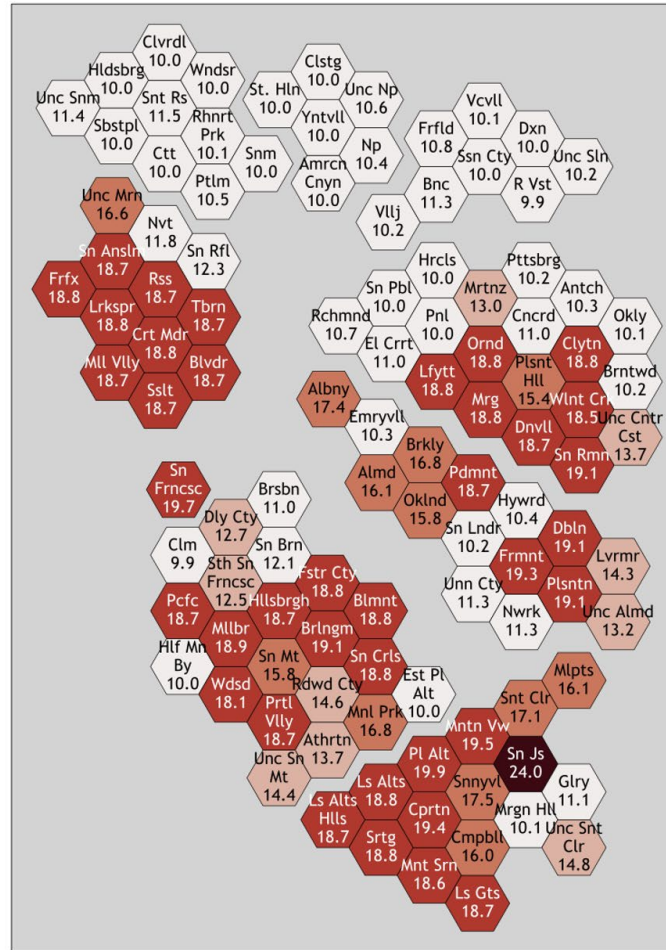
Building the methodology: income allocation

- Part 2 of RHNA methodology structure is choosing the income allocation approach
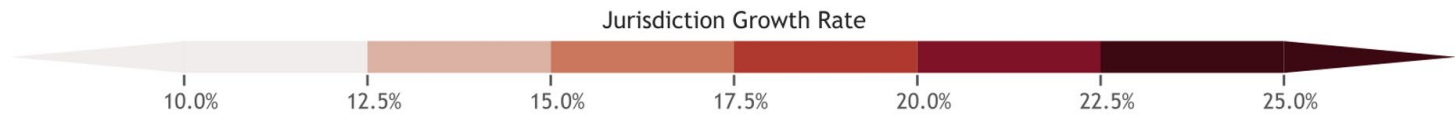
- Potential options:

  - **Income Shift:** total units allocated first, then Income Shift moves the local income distributions closer to the regional distribution. A jurisdiction that has a higher percentage of existing households in a given income category compared to the region receives a smaller share of units in that income category, and vice versa.

  - **Bottom-Up:** factors are used to determine allocations for the four income categories, and the sum of these income group allocations represents a jurisdiction's total allocation

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Regrouping income categories for Bottom-Up

- HMC proposal from July: allocate moderate-income units using same factors as very low- and low-income units

  - In the Bay Area, moderate-income units are not generally produced by the market; producing lower-income and moderate-income units requires some type of policy intervention.

  - Better aligns with Streamlined Ministerial Approval Process established by Senate Bill 35 (2017) and modified by Assembly Bill 1485 (2019)

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Analysis of Six Methodology Scenarios

- Staff analysis focused on two baseline allocation options: **Households 2019** and **2050 Households (Blueprint)**

- Using these two baselines, staff looked at six methodology scenarios:

  1. Bottom-Up - 3-Factor Concept

  2. Bottom-Up - 3-Factor Concept with Adjusted Income Groupings

  3. Bottom-Up - Balanced Blueprint/High Resource Areas

  4. Bottom-Up - Balanced Blueprint/High Resource Areas with Adjusted Income Groupings

  5. Income Shift 125% - Housing/Jobs Crescent

  6. Income Shift 125% - Balanced Blueprint/High Resource Areas

Consistency between RHNA and Plan Bay Area

- By statute, RHNA must be consistent with Plan Bay Area; however no guidance in statute

- ABAG/MTC proposed approach:

  - Plan Bay Area 2050 output: household growth at the county and subcounty levels

  - Compare 8-year RHNA housing growth to 30-year Plan Bay Area 2050 housing growth

  - If the 8-year growth level does not exceed the 30-year growth level at the county or subcounty levels, then RHNA and Plan Bay Area 2050 will be determined to be consistent

- Consistency evaluation indicates no issues for six methodology options paired with either Households 2019 or 2050 Households (Blueprint) as baselines

Performance on evaluation metrics

- All six methodology scenarios appear to further the five statutory objectives when paired with either baseline (Households 2019 or Future Year 2050 Households)

- Methodologies using the Bottom-Up approach tend to perform best on evaluation metrics

  - Bottom-Up - 3-Factor methodology had best performance on nearly every metric (paired with either baseline)

  - Bottom-Up - Balanced Blueprint/High Resource Areas methodology (Households 2019 baseline) also performed strongly across the metrics

Performance on evaluation metrics

- *Objective 1 metric: Do jurisdictions with the most expensive housing costs receive a significant percentage of their RHNA as lower-income units?*

  - **Most effective: Bottom-Up - 3-Factor** (with either baseline) and the **Bottom-Up - Balanced Blueprint/High Resource Areas**

- *Objective 2 metrics: Do jurisdictions with the largest share of the region's jobs have the highest growth rates resulting from RHNA? Do jurisdictions with the largest share of the region's Transit Priority Area acres have the highest growth rates resulting from RHNA?*

  - **Most effective: Options using data from the Draft Blueprint**, either using 2050 Households as the baseline or the Future Housing Growth allocation factor

Performance on evaluation metrics

- *Objective 3 metric: Do jurisdictions with the most low-wage workers per housing unit affordable to low-wage workers receive a significant percentage of their RHNA as lower-income units?*

  - **Most effective: Bottom-Up - 3-Factor options** (regardless of the baseline they are paired with)

- *Objective 4 metrics: Do jurisdictions with the largest percentage of low-income residents receive a smaller share of their RHNA as lower-income units than jurisdictions with the largest percentage of high-income residents?*

  - **Most effective: All Bottom-Up options**, the Bottom-Up - 3-Factor (with either baseline) and the Bottom-Up - Balanced Blueprint/High Resource Areas

Performance on evaluation metrics

- *Objective 5 metrics: Do jurisdictions with the largest percentage of households living in High or Highest Resource tracts receive a significant percentage of their RHNA as lower-income units? Do racially and economically exclusive jurisdictions receive allocations proportional to their share of the region's households?*

  - **Most effective:**

    - **Bottom-Up - 3-Factor options** (regardless of the baseline they are paired with) result in the highest shares of lower-income RHNA going to jurisdictions with the most access to opportunity.

    - **Income Shift 125% - Housing/Jobs Crescent options** (regardless of the baseline they are paired with) are most effective at ensuring that jurisdictions exhibiting racial and economic exclusion receive allocations proportional to their share of the region's households, seeing the largest ratios of RHNA relative to existing household shares.

HMC decision points and initial staff recommendations

DECISION

POINT

Decision Point #1: What baseline allocation does the HMC recommend for the RHNA methodology?

*Initial Staff Recommendation: Use the **2050 Households (Blueprint) baseline** because it captures the benefits of using the Plan Bay Area 2050 Blueprint in the RHNA methodology. It provides a middle ground between using Households 2019 and Housing Growth (Blueprint), since this option considers both existing households as well as expected future growth.*

HMC decision points and initial staff recommendations

DECISION

POINT

Decision Point #2: If 2050 Households (Blueprint) is not selected as the baseline, does the HMC recommend using the Blueprint as a factor in the methodology?

*Initial Staff Recommendation: If the 2050 Households (Blueprint) baseline is <u>not</u> selected in Decision Point #1, **include the Future Housing Growth factor** from the Blueprint. This would help to capture the benefits of using the Plan Bay Area 2050 Blueprint in the RHNA methodology, while retaining an alternative baseline.*

HMC decision points and initial staff recommendations

DECISION

POINT

Decision Point #3: Does the HMC recommend the Income Shift or Bottom-Up income allocation approach?

*Initial Staff Recommendation: Use the **Bottom-Up income allocation approach**, because it consistently performs the best on the evaluation metrics. It also allows greater flexibility to adjust the income allocations to direct more lower-income units to jurisdictions with a disproportionate share of higher-income households. Furthermore, it also directs fewer market-rate units to jurisdictions with a disproportionate share of lower-income households to reduce displacement pressures.*

Next steps

- Use updated RHNA online visualization tool to further explore options discussed today

- On August 28, be prepared to discuss:

  - Preferences for factors and weights

  - Adjusting income groupings for Bottom-Up *(if HMC decides to move forward with this as income allocation approach)*

  - Performance evaluation metrics

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WRAP UP AND NEXT STEPS

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