

# REGIONAL HOUSING NEEDS ALLOCATION



TO: ABAG Regional Planning Committee

DATE: July 9, 2020

FR: Deputy Executive Director, Policy

RE: Incorporating Plan Bay Area 2050 into the RHNA Methodology

## Overview

Over the past year, two related planning initiatives led by MTC/ABAG have been ongoing: Plan Bay Area 2050 and the Regional Housing Needs Allocation (RHNA) process. Plan Bay Area 2050 explores outcomes over a 30-year time horizon with strategies designed to improve conditions for Bay Area transportation, housing, the economy, and the environment, to create a more resilient and equitable future for the region. RHNA seeks to advance similar outcomes, with a focus on allocations for housing at specific income levels to individual jurisdictions over an 8-year time horizon, with a nexus to upcoming updates to Housing Elements by local jurisdictions.

Housing Element Law requires that the RHNA methodology is consistent with the development pattern from the regional transportation plan (Plan Bay Area 2050).<sup>1</sup> With the release of the Plan Bay Area 2050 Draft Blueprint, the Housing Methodology Committee (HMC) can consider what role the Blueprint can play in helping the methodology meet the RHNA statutory objectives, advancing the HMC's stated policy goals, and supporting consistency with the Plan's development pattern. Ultimately, the Final Blueprint (action on final strategies slated in September 2020) and the Proposed Methodology (action slated in October 2020) will need to be consistent.

## Alignment Between Plan Bay Area 2050 Draft Blueprint and HMC Goals for RHNA Methodology

As shown in the materials for Item 5a, the Draft Blueprint is a comprehensive and integrated representation of many strategies and policies that are aligned with the RHNA statutory objectives and the HMC's goals for the RHNA methodology. At the June HMC meeting, committee members came to consensus around several recommendations to guide selection of the RHNA methodology. The HMC recommended that the methodology should direct more housing to jurisdictions with more jobs than housing and to communities exhibiting racial and economic exclusion and that the methodology should focus on equity and the relationship between housing and jobs.

The Draft Blueprint reflects the HMC's goals for RHNA by prioritizing growth in high-resource areas in addition to directing future housing growth to transit-served areas as a strategy for reducing greenhouse gas emissions (**Appendix 1**). Although the Draft Blueprint does not achieve an overall jobs-housing balance for the region, it does show gains by focusing more growth near existing job centers, particularly on the Peninsula and in the South Bay.

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<sup>1</sup> [Government Code Section 65584.04\(m\)\(1\)](#).

In terms of overall housing outcomes for the region, the Draft Blueprint's growth geographies and housing strategies reduce the housing cost burden, lowering the out of pocket cost of housing and transportation, especially for lower-income households. The Draft Blueprint also directs substantial housing growth in high-resource communities, which helps to make these areas more inclusive. Although the Draft Blueprint's policies preserve all existing deed-restricted affordable housing units and add more affordable units, low-income residents continue to be at high risk of displacement.

One of the other recommendations the HMC came to consensus on in June was that the RHNA methodology may not be the best tool to address concerns about housing located in areas with high hazard risk. The Draft Blueprint takes significant steps to address the region's hazard risks. The growth geographies in the Draft Blueprint also protect areas outside Urban Growth Boundaries and areas with very high wildfire risk from additional growth. The infrastructure investments proposed in the Blueprint would protect nearly all households at risk of sea level rise. Accordingly, the Draft Blueprint may be more directly suited for addressing concerns related to hazards than a RHNA methodology factor that limits allocations in high hazard risk areas.

### **Incorporating Plan Bay Area 2050 into the RHNA Methodology**

There are several options for how the Draft Blueprint could be incorporated into the RHNA methodology:

***Option 1: Use the Blueprint as a factor to direct the allocation of RHNA units.*** In this approach, each jurisdiction's allocation is based on its share of household growth from 2010 to 2050 from the Draft Blueprint.<sup>2</sup> The Sacramento region used this approach in its methodology for this RHNA cycle. Unlike the other methodology concepts discussed to date, in this option the Blueprint would not be used to adjust an underlying baseline allocation, but would instead be the sole determinant of a jurisdiction's RHNA allocation.

Using the Draft Blueprint as a factor for allocating total units would be best paired with the Income Shift income allocation methodology. Since the Bottom-Up concept uses separate factors to allocate units in each income category, this approach is not compatible with using the Draft Blueprint to allocate RHNA units, unless there was a rationale for using the Draft Blueprint to allocate a particular income category and other factors to allocate other income categories.

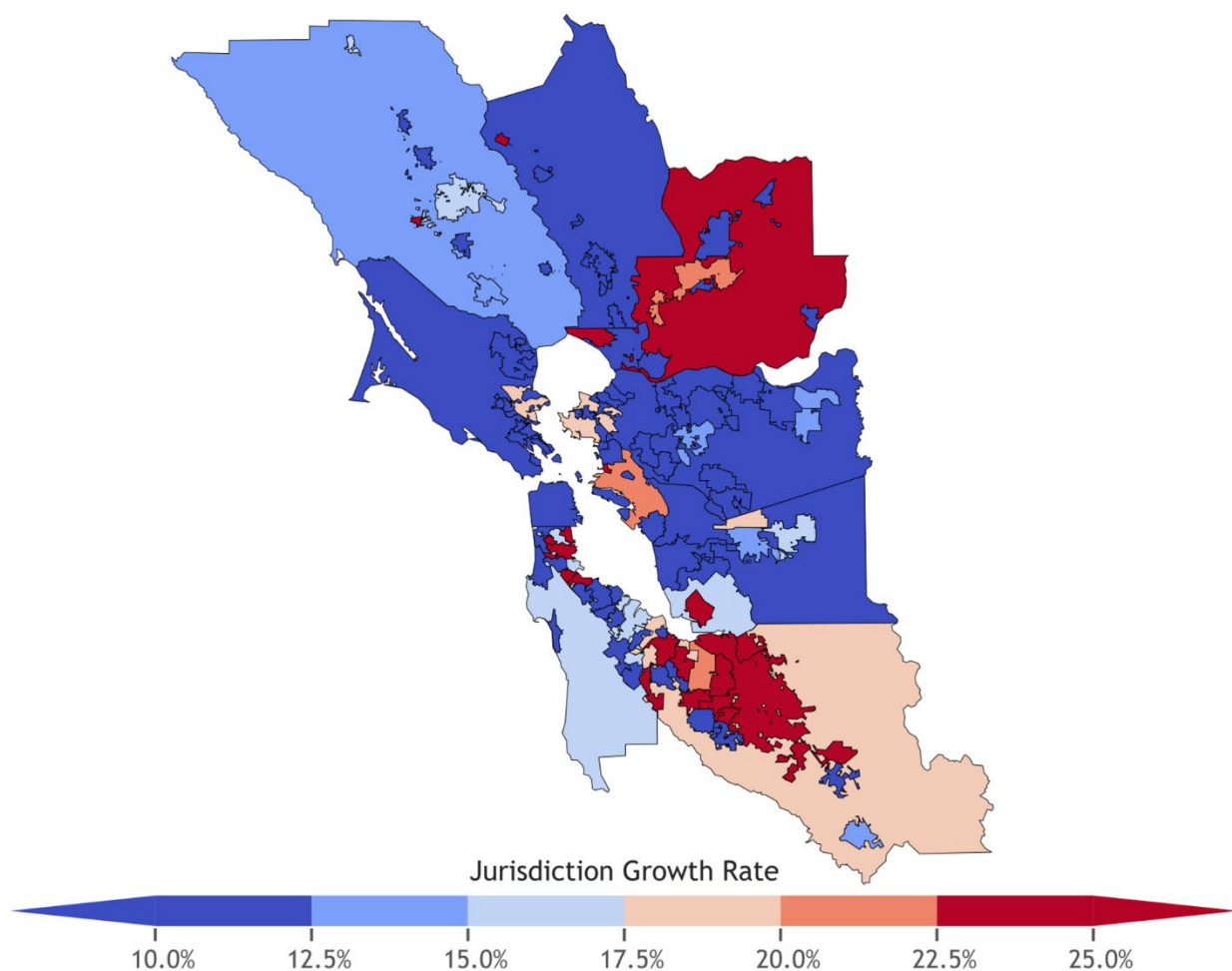
**Figure 1** shows the RHNA allocations that would result from using the growth pattern in the Draft Blueprint. Jurisdictions shown in the darkest blue experience the lowest growth rate while

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<sup>2</sup> Staff is recommending use of household growth for the entire Blueprint period (2020 to 2050) instead of the 8-year RHNA period (2023 to 2031) because the short-term forecast is heavily influenced by current data about pipeline projects, which is not uniformly available in a consistent format for all jurisdictions in the region. Using the full timeframe (scaled to RHND) better reflects the long-term view and is less influenced by the universe of known projects identified today.

the jurisdictions shown in the darkest red experience the highest growth rate. In terms of the overall growth pattern for the Bay Area, this map demonstrates the Draft Blueprint's emphasis on housing growth in Silicon Valley with lower rates of growth in many other communities throughout the region. The Draft Blueprint directs a significant share of the region's expected housing growth to jurisdictions in Santa Clara County (41 percent) and San Mateo County (10 percent). Jurisdictions in Sonoma County and Marin County are also expected to see higher shares of housing growth compared to what was forecasted in Plan Bay Area 2040. While using the Draft Blueprint as the baseline allocation results in lower allocations to the unincorporated areas for most counties, this is not the case for San Mateo, Santa Clara, and Solano counties.

**Figure 1: RHNA Allocations Using Draft Blueprint Growth Pattern**



**Option 2: Use the Blueprint as the Baseline Allocation for the RHNA Methodology**

The methodology options the HMC has been discussing to date have used the jurisdiction's share of total households in 2019 as the baseline allocation. The second option for using the Draft Blueprint in the RHNA methodology would be to instead use each jurisdiction's share of household growth from 2010 to 2050 from the Draft Blueprint as the baseline. This approach is

consistent with how long-range forecasts have been used in ABAG's methodologies for previous RHNA cycles.

In these methodology options, the baseline allocation is used to assign each jurisdiction a share of the Regional Housing Needs Determination (RHND) from the California Department of Housing and Community Development (HCD) as a starting place for the methodology. The factors and weights selected for the RHNA methodology are then used to adjust a jurisdiction's baseline allocation up or down, depending on how a jurisdiction scores on a factor compared to other jurisdictions in the region.

Since the *Bottom-Up* income allocation concepts use separate factors to allocate units in each income category, the most effective way to incorporate the Draft Blueprint into *Bottom-Up* methodology options is to use the Draft Blueprint as the baseline allocation. Using the Draft Blueprint as an allocation factor in the Bottom-Up concepts would only work if there were a rationale for using it to allocate units in a particular income category.

**Figure 2** compares the effects of the two different baselines on the *Jobs/Housing Crescent* (top) and *Bottom-Up 3-Factor* (bottom) methodology options. For these comparisons, staff removed the *Balanced Equity-Jobs-Transportation* and *Code Red to Address Housing Need* scenarios based on the feedback received at the June HMC meeting that the RHNA methodology should not include a factor related to natural hazards.<sup>3</sup> Staff elected to show only one of the *Bottom-Up* concepts to simplify the comparison of the effects of the different baselines.

**Table 1: Jobs/Housing Crescent and Bottom-Up 3-Factor Methodology Concepts**

<b>Jobs-Housing Crescent</b>	<b>Bottom-Up 3-Factor Concept</b>	
<ul style="list-style-type: none"> <li>• 50% - Access to High Opportunity Areas</li> <li>• 10% - Jobs Proximity – Transit</li> <li>• 10% - Jobs-Housing Balance</li> <li>• 10% - Jobs-Housing Fit</li> <li>• 10% - Transit</li> </ul>	<b><i>Affordable: Very Low and Low</i></b>	
	• Access to High Opportunity Areas	40%
	• Jobs-Housing Fit	40%
	• Job Proximity – Transit	20%
	<b><i>Market-Rate: Moderate and Above Moderate</i></b>	
	• Job Proximity – Auto	50%
	• Job Proximity – Transit	30%
	• Jobs-Housing Balance	20%

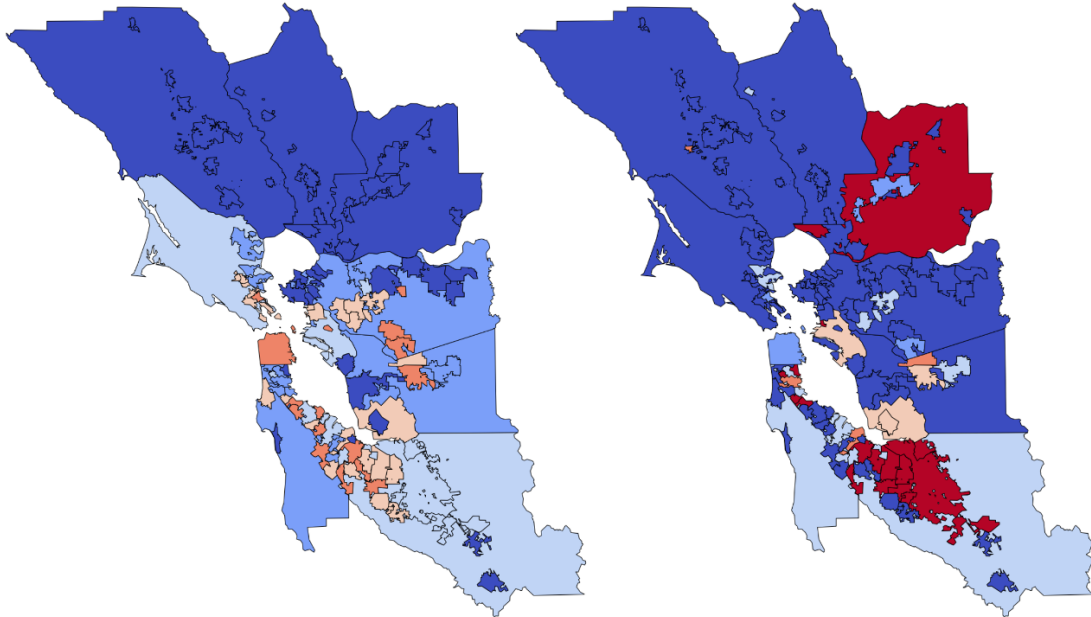
<sup>3</sup> The *Balanced Equity-Jobs-Transportation* and *Code Red to Address Housing Need* scenarios both included the hazards factor weighted at 10 percent. If the HMC is interested in revisiting these two conceptual methodologies from March and reallocating the 10 percent to other factors, staff can make these adjustments and use revised versions of these methodologies for future analyses.

**Figure 2: Comparison of RHNA Methodology Allocations Using Different Baseline Options**

**Housing / Jobs Crescent**

**Baseline: Households in 2019**

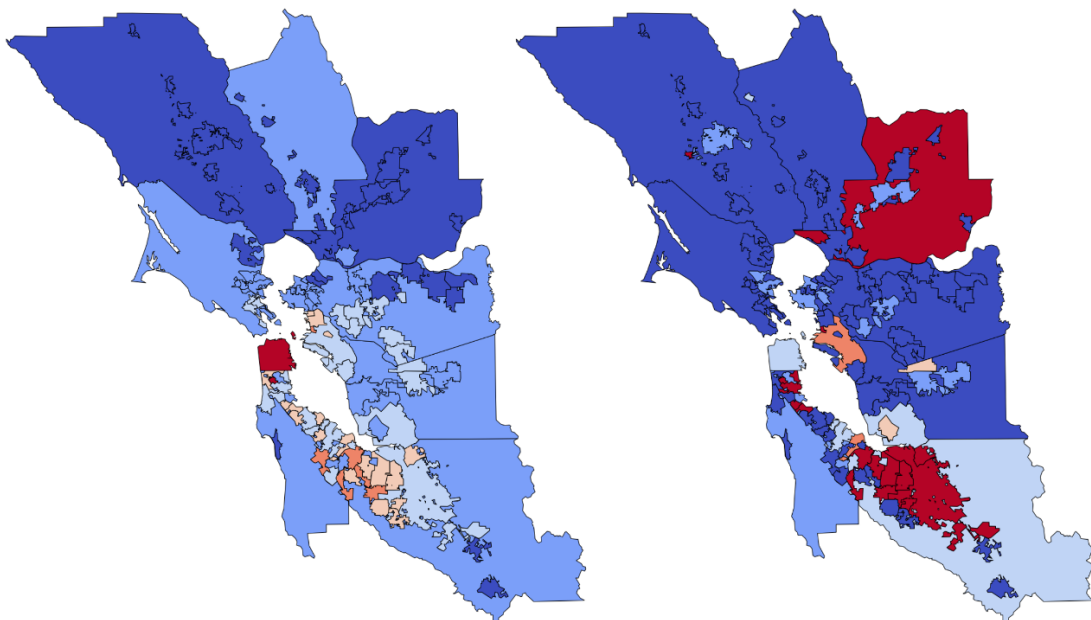
**Baseline: Blueprint Growth 2020-2050**



**Bottom-Up Three Factor Concept**

**Baseline: Households in 2019**

**Baseline: Blueprint Growth 2020-2050**



Jurisdiction Growth Rate

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

The maps on the left show the results of each methodology concept with total households in 2019 as the baseline allocation and the maps on the right show the results of each methodology concept with the Draft Blueprint as the baseline allocation. The map showing the allocation results with the Draft Blueprint as the baseline allocation shows higher RHNA allocations in high-resource areas with good development capacity near major job centers – notably focused in the South Bay – and lower RHNA allocations elsewhere. These comparisons demonstrate the significant impact that the underlying growth pattern from the baseline allocation has on the resulting allocations since the factors and weights selected for the RHNA methodology are used to adjust this baseline allocation.

### **Considering Options for Incorporating the Draft Blueprint into the RHNA Methodology**

The charts in **Appendix 2** compare the jurisdiction-level total units allocations from using the Draft Blueprint to allocate RHNA units as well as the total unit allocations from the *Jobs/Housing Crescent* and *Bottom-Up 3-Factor* concepts when using total households in 2019 as the baseline and when using the Draft Blueprint as the baseline. The charts also include the RHNA allocations that would be derived using total households in 2019 (without adjustments from the methodology factors) as a point of reference.

The UrbanSim model that is used to evaluate the impact of the policies and strategies in the Draft Blueprint takes the financial feasibility of potential development projects, including housing, into account which informs the resulting development pattern. Some of the smaller RHNA allocations that result from using the Draft Blueprint as the baseline, particularly in smaller jurisdictions, could reflect the financial feasibility analysis from UrbanSim, while at the same time, the Blueprint addresses the strong jobs-to-housing surplus in the South Bay by focusing relatively more housing there than in earlier plans.

**Appendix 2** of the *Revisiting Income Allocation Approaches* memo for agenda item 6b contains charts illustrating how the different methodology options, including variations with total households in 2019 and Draft Blueprint as baseline allocations, perform on the evaluation metrics identified by the HMC. While many of the evaluation metrics focus on how units are distributed by income, the charts in Appendix 2 and the summary of the results in the memo for agenda item 6b can help in evaluating the effects of the different choices for incorporating the Draft Blueprint into the RHNA methodology.

### ***Pros/Cons of Possible Options for Advancing the RHNA Methodology***

The HMC is faced with deciding whether incorporating the Plan Bay Area 2050 Blueprint helps the RHNA methodology meet the RHNA statutory objectives, advance the HMC's stated policy goals, and support consistency with the Plan's development pattern. The HMC can choose to:

- Use the Blueprint in the RHNA methodology, either as an allocation factor or as the baseline allocation, or
- Continue to use total households in 2019 as the baseline allocation in the RHNA methodology.

**Table 2** shows the pros and cons of each of these choices.

***Table 2: Pros/Cons Incorporating Draft Blueprint into RHNA Methodology***

	<b>Pros</b>	<b>Cons</b>
<b>Use the Blueprint, Either as Allocation Factor or Baseline Allocation</b>	<ul style="list-style-type: none"><li>• Simple and straightforward to implement and discuss (e.g., "the methodology aligns with growth predicted by Plan Bay Area 2050")</li><li>• integrates transit, hazards, and market feasibility through strategies and modeling</li><li>• Better aligned with Plan Bay Area 2050</li><li>• Emphasis on current and future employment development patterns leads to RHNA allocations more focused in Silicon Valley, region's largest job center</li><li>• Higher RHNA allocations in high-resource areas near major job centers – notably in the South Bay</li></ul>	<ul style="list-style-type: none"><li>• Lower RHNA allocations for some high-resource areas outside Silicon Valley</li><li>• Draft Blueprint as allocation factor does not work easily for Bottom-Up income allocation approach</li><li>• Blueprint will continue to evolve in summer &amp; fall via Plan public engagement, adding uncertainty to impacts on RHNA allocations</li></ul>
<b>Use Total Households in 2019 as the Baseline Allocation</b>	<ul style="list-style-type: none"><li>• Relatively straightforward to implement and discuss (e.g., "the methodology is consistent with Plan Bay Area 2050, but not dependent on it")</li><li>• More even distribution of RHNA throughout region</li><li>• Not dependent on Final Blueprint slated for approval this fall</li></ul>	<ul style="list-style-type: none"><li>• RHNA allocations would be less aligned with long-range housing vision (Plan Bay Area 2050)</li><li>• If the HMC wants RHNA methodology to emphasize topics currently addressed in the Plan (e.g., hazards, transit, market feasibility, etc.) they may need to be added as allocation factors</li></ul>

## **Next Steps**

Staff will seek feedback from the HMC about their recommendations for incorporating the Plan Bay Area 2050 Draft Blueprint into the RHNA methodology. Staff recognizes that this decision will largely hinge on the allocation impacts of using the Blueprint as the baseline, as well as individual preferences for how closely synced the long-range plan and RHNA should be. As the maps and charts showing the varying results of the different methodology options have shown, the choice of whether to include the Draft Blueprint has significant impacts on the RHNA allocations.

Since the effect of the factors and weights of the RHNA methodology is to adjust the baseline allocation, deciding on the dataset to use as the baseline will set the stage for the HMC to refine its selection of factors and weights to be included in the allocation formula – whether that formula is based on the *Income Shift* or *Bottom-Up* income allocation approach. HMC members will have an opportunity to discuss their preferences for the income allocation methodology options in the next agenda item. There will be additional discussion about refining the methodology options at the remaining HMC meetings. Ultimately, the Final Blueprint (action on final strategies slated in September 2020) and the Proposed Methodology (action slated in October 2020) will need to be consistent.