

REGIONAL HOUSING NEEDS ALLOCATION



TO: ABAG Executive Board

DATE: May 21, 2020

FR: Executive Director

RE: RHNA Overview and Update on Housing Methodology Committee (HMC) Discussions

RHNA Background

RHNA is the state-mandated¹ process to identify the number of housing units (by affordability level) that each jurisdiction must accommodate in the Housing Element of its General Plan. The California Department of Housing and Community Development (HCD) will identify the total number of housing units, by income category, for which the Bay Area must plan for an eight-year period (in the next cycle, from 2023 to 2031). Staff expects to receive the assignment of housing units to plan for, known as the Regional Housing Need Determination (RHND), from HCD in either June 2020 or July 2020, and an update to the ABAG Executive Board will be provided at that time.

ABAG's role in the RHNA process is to develop a methodology to distribute the housing needs number provided by HCD to each Bay Area local government in a manner consistent with the development pattern in *Plan Bay Area 2050*. The methodology must consider 12 statutory factors² and accomplish two outcomes: 1) allocate a share of housing need (in units) to each jurisdiction and 2) identify each jurisdiction's share of need by income category.³

RHNA Process Overview

RHNA statutes outline a detailed process and schedule for how ABAG must develop an allocation methodology that meets the statute's objectives.⁴ Figure 1 shows key milestones in the process.

Figure 1: Key Milestones in ABAG's RHNA Process



¹ See California [Government Code §65584](#).

² See California [Government Code §65584.04](#) for the factors that must be considered in the methodology.

³ Very Low Income is 0-50% of Area Median Income (AMI), Low Income is 50-80% of AMI, Moderate Income is 80-120% AMI, and Above Moderate is 120%+ AMI. For reference, in 2019 the county AMI for a four-person household ranged from \$85,700 in Solano County to \$136,800 in Marin, San Francisco, and San Mateo.

⁴ See California [Government Code §65584](#) for the objectives the RHNA plan must meet.

After ABAG adopts the methodology it issues a draft allocation to jurisdictions. Jurisdictions and HCD then have an opportunity to appeal a jurisdiction's allocation. After ABAG takes action on the appeals, it issues the final allocation. Each local government must then revise its Housing Element to show how it plans to accommodate its portion of the region's housing need. The Housing Element must include an inventory of sites that have been zoned for sufficient capacity to accommodate the jurisdiction's RHNA allocation for each income category. ABAG's formal role within RHNA ends with adoption of the final allocation. ABAG does not have a say in approval of local jurisdictions' Housing Elements, which is the responsibility of HCD.

What's New this RHNA Cycle?

Recent legislation will result in the following key changes for this RHNA cycle:

- It is expected that there will be a higher total regional housing need. HCD's identification of the RHND has changed to account for unmet existing need, rather than only projected housing need. HCD is now required to consider overcrowded households, cost burdened households (those paying more than 30% of their income for housing), and a target vacancy rate for a healthy housing market (with a minimum of 5 percent).
- RHNA plan and local Housing Elements must affirmatively further fair housing. According to HCD, achieving this objective includes preventing segregation and poverty concentration as well as increasing access to areas of opportunity. HCD has mapped Opportunity Areas⁵ and has developed guidance for jurisdictions about how to address affirmatively furthering fair housing in Housing Elements.⁶
- There will be greater HCD oversight of RHNA. ABAG and subregions must now submit the draft allocation methodology to HCD for review and comment. HCD can also appeal a jurisdiction's draft allocation.
- Identifying Housing Element sites for affordable units will be more challenging. There are new limits on the extent to which jurisdictions can reuse sites included in previous Housing Elements and increased scrutiny of small, large, and non-vacant sites when these sites are proposed to accommodate units for very low- and low-income households.

Housing Methodology Committee

As it has for the past several RHNA cycles, ABAG has convened a [Housing Methodology Committee](#) (HMC) to advise staff on the methodology used to allocate a share of the region's total housing need to every local government in the Bay Area. The HMC is comprised of local

⁵ See <https://www.treasurer.ca.gov/ctcac/opportunity.asp>. The Opportunity Area Maps include indicators related to poverty, adult education, employment, job proximity, median home value, pollution, math proficiency (4th grade), reading proficiency (4th grade), high school graduation rate, student poverty rate and a filter related to poverty and racial segregation. For more information about the methodology used to create the maps, see <https://www.treasurer.ca.gov/ctcac/opportunity/final-opportunitymapping-methodology.pdf> (pages 7-8).

⁶ See https://www.hcd.ca.gov/community-development/housing-element/housing-element-memos/docs/AB686_SummaryHousingElementFinal_04222020.pdf.

elected officials and staff representing every county in the Bay Area as well as stakeholder representatives selected by ABAG staff from a diverse applicant pool.⁷

The HMC is a key part of ABAG's approach to creating the RHNA allocation methodology. Through the HMC, ABAG staff seek to facilitate dialogue and information sharing in order to enable coordinated action to address the Bay Area's housing challenges. The HMC has been meeting monthly since October 2019. Agenda packets for the HMC meetings are available at <https://mtc.legistar.com/Calendar.aspx>.

The RHNA Methodology

The allocation methodology is a formula that shares responsibility for accommodating the Bay Area's total housing need by quantifying the number of housing units, separated into four income categories, that will be assigned to each city, town, and county to incorporate into its Housing Element. The methodology is composed of factors (such as proximity to jobs, proximity to transit, expected household growth, etc.) that use data for each jurisdiction in the region to determine each jurisdiction's share of the total housing need. The allocation formula assigns units based on relative relationships between jurisdictions within the region. For example, if there is a factor to allocate units based on access to jobs, then a jurisdiction with many jobs will be allocated more units and a jurisdiction with fewer jobs will be allocated fewer units. Given the need to allocate units among the region's 109 jurisdictions, it can be difficult to address the specific nuances of each community's local context in the methodology. Members of the HMC are working collaboratively to select the best combination of factors that would result in an equitable distribution of housing need throughout the region.

The Narrow Scope of RHNA

It is important to note that the primary role of the RHNA methodology is to encourage a pattern of housing growth for the Bay Area. The final result of the RHNA process is the allocation of housing units by income category to each jurisdiction. It is in the local Housing Element that decisions about where future housing units could be located and the policies and strategies for addressing a community's specific housing needs are made. Local governments will include strategies related to issues such as addressing homelessness, meeting the needs of specific populations, affirmatively furthering fair housing, or minimizing displacement when they develop their Housing Elements. And, although the HMC may select factors that conceptually assign housing to a particular geography, such as near a transit stop or in proximity to jobs, the resulting allocation from ABAG goes to the jurisdiction as a whole. It is up to local governments to use their Housing Elements to select the specific sites that will be zoned for housing. Figure 2 distinguishes between the narrow scope of RHNA and the broader requirements for jurisdictions' Housing Elements.

⁷ The HMC roster is available at https://abag.ca.gov/sites/default/files/hmc_roster_january_2020_0.pdf.

Figure 2: The Scope of RHNA and Local Housing Elements

RHNA	LOCAL HOUSING ELEMENTS
Determines how many new homes each local jurisdiction must plan for in its Housing Element.	Includes goals, policies, quantified objectives, financial resources, and constraints for the preservation, improvement, and development of housing for all income levels.
Housing allocation is for an entire jurisdiction – housing is not allocated to specific sites or geographies within a jurisdiction.	Identifies sites for housing and provides an inventory of land suitable and available for residential development, including vacant sites and sites having potential for redevelopment.
A jurisdiction’s housing allocation is divided across four income groups: very low-, low-, moderate-, and above moderate-income.	Analyzes special housing needs, such as those of the elderly; persons with disabilities, including a developmental disability; large families; farmworkers; families with female heads of households; and families and persons in need of emergency shelter.
Beyond allocation of housing units by income group, does not address housing needs of specific population groups nor include policy recommendations for addressing those needs.	Must demonstrate local efforts to remove governmental and nongovernmental constraints that hinder locality from meeting the need for housing for persons with disabilities, supportive housing, transitional housing, and emergency shelters.
	Analyzes existing affordable units at risk of converting to market-rate due to expiring subsidies or affordability contracts.
	Assesses existing fair housing issues and strategies for affirmatively furthering fair housing.

Housing Methodology Committee Discussions to Date

The HMC has met six times between October 2019 and May 2020, and will continue its deliberations about the RHNA methodology through fall 2020. Some of the key topics discussed by the committee include:

Framework for Affirmatively Furthering Fair Housing

Some of the most impactful recent changes to RHNA are related to the new objective that the RHNA plan must affirmatively further fair housing and consider jobs-housing fit. While RHNA has always included an emphasis on ensuring an equitable distribution of housing need, these changes make the focus on equity more explicit. Staff convened a panel of experts to provide ideas about the two key concepts for affirmatively furthering fair housing: 1) overcoming patterns of segregation and 2) eliminating the barriers that create disparities in access to high-resource neighborhoods and about the concept of jobs-housing fit, which centers on the relationship between the wage levels of jobs in a location and the affordability of available housing.

Local Jurisdiction Survey

By law, ABAG must survey local jurisdictions to gather information on factors that must be considered for inclusion in the RHNA methodology⁸ and on jurisdictions' issues, strategies and actions for achieving fair housing goals.⁹ Local government staff provided thoughtful responses to the extensive survey questions, and a [summary of the results](#) was shared with the HMC.

Prioritizing Methodology Factors

Staff presented sample RHNA methodologies, including ABAG's methodology from the last cycle and the draft methodologies from other regions for this cycle, as a starting place for HMC members to begin to identify potential factors for inclusion in the allocation methodology. At the December meeting, the HMC identified the topics they felt were most important to be considered in the methodology. Staff developed options for potential factors related to Plan Bay Area 2050, fair housing and equity, jobs and jobs-housing fit, transportation, and natural hazards in response to the priorities identified by the HMC.

At the March HMC meeting, staff introduced an [online visualization tool](#) to support the HMC as they prioritize factors, consider weights for each factor and develop an initial recommendation for a RHNA methodology.¹⁰ The tool allows users to explore sample methodologies by inserting a proxy for the RHND that ABAG will receive from HCD, selecting factors to include in the methodology, and applying a weight to each potential factor. The tool produces a map of the

⁸ See State of California [Government Code Section 65584.04\(b\)\(1\)](#).

⁹ See State of California [Government Code Section 65584.04\(b\)\(2\)](#).

¹⁰ For more information on the factors included in the methodology visualization tool, see pages 5-9 of [this memo](#) from the March 2020 HMC agenda packet.

jurisdiction-specific output based on selected factors and weights assigned.¹¹ Figure 3 compares the factors and weights for the three methodology options that received the most votes from HMC members and members of the audience at the March meeting.

Figure 3: Comparison of Top Three Methodology Options from March 2020 HMC Meeting

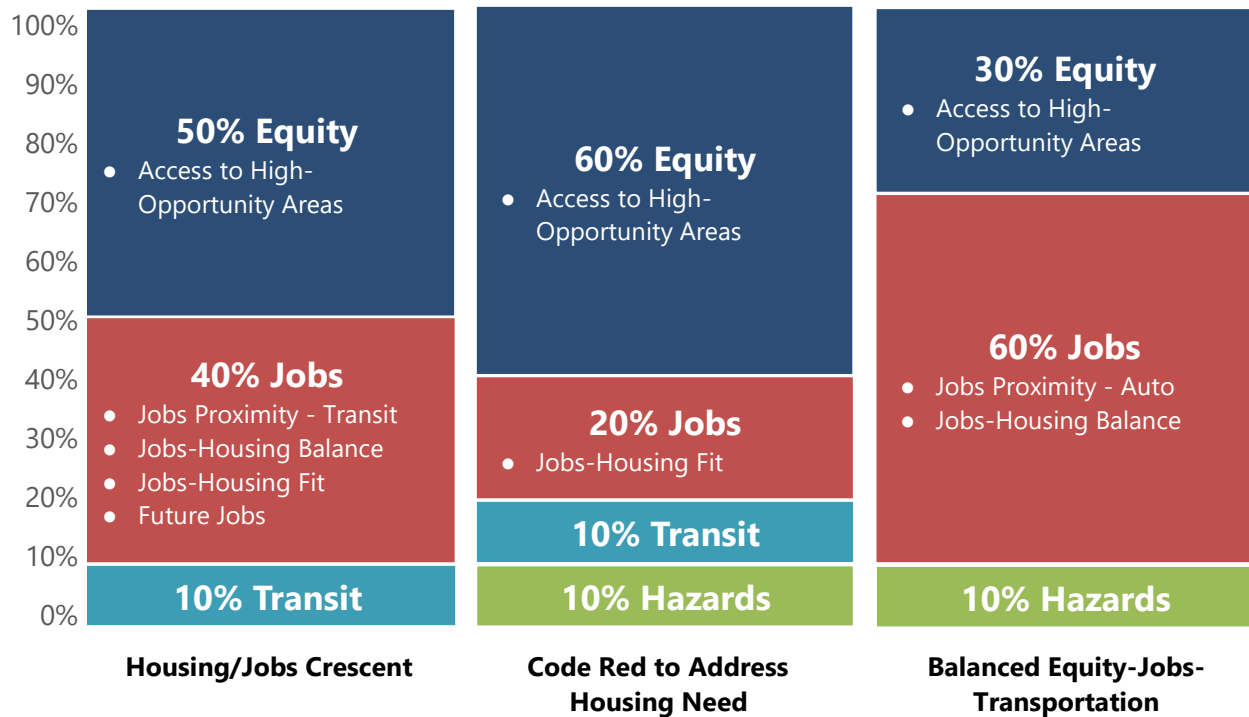
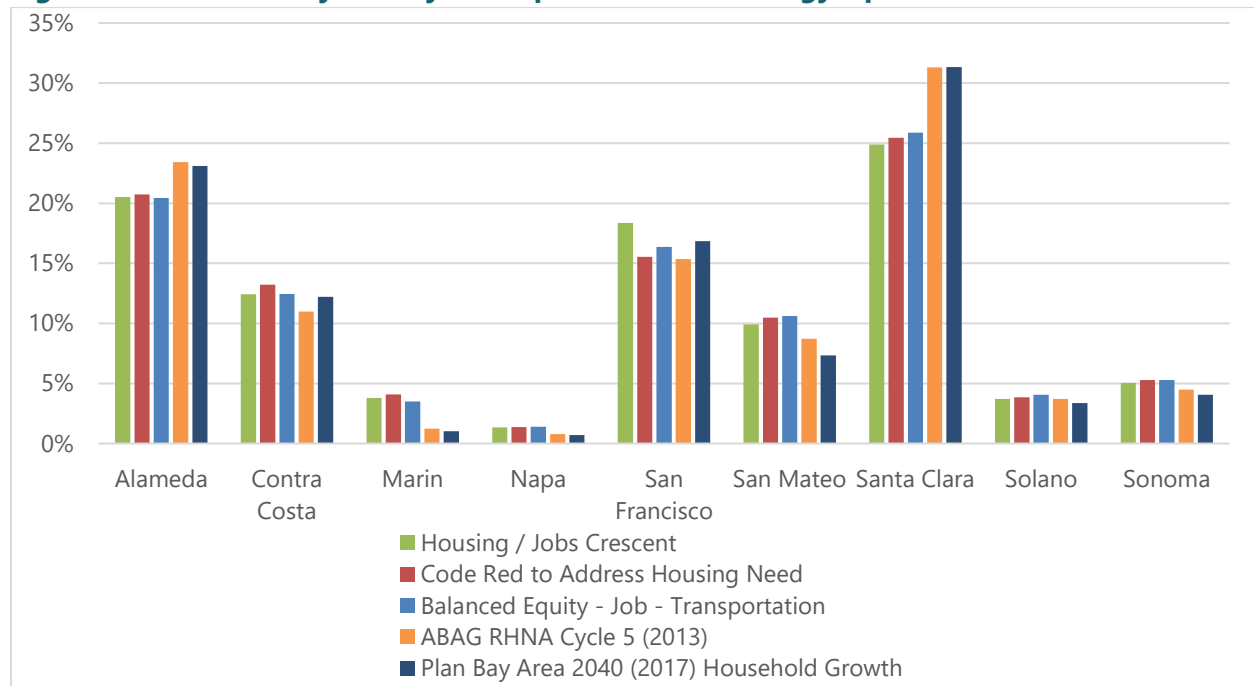


Figure 4 compares the share of units allocated to the jurisdictions in each county for the top three methodology options. The chart indicates there were relatively minimal differences in how units were distributed at the county level among the three options. Figure 4 also shows each county’s share of housing unit growth from ABAG’s 5th Cycle RHNA methodology and Plan Bay Area 2040 as points of reference. In general, the three methodology options would direct more units to jurisdictions in the North Bay and San Mateo County and fewer units to jurisdictions in Alameda and Santa Clara counties relative to ABAG’s 5th Cycle RHNA and Plan Bay Area 2040.

¹¹ Maps showing the [methodology options developed by each small group](#) are available on the ABAG website.

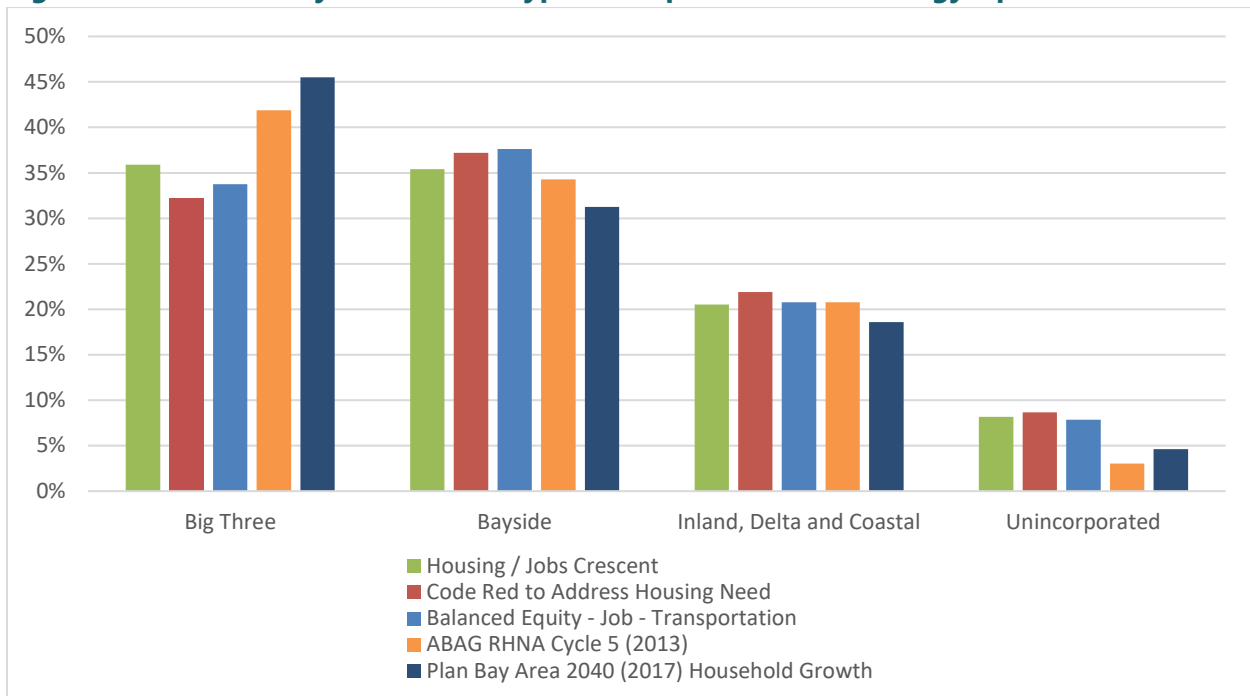
Figure 4: Allocations by County for Top Three Methodology Options



Output by Jurisdiction Geography: ABAG staff also analyzed the output of the top three methodologies by jurisdiction geography using a framework developed as part of prior Plan Bay Area processes, simply to understand the general distribution across different typologies of places. This framework assigns each jurisdiction to one of four geographies that reflect its role and spatial location within the region. The four categories are: Big Three; Bayside; Inland, Delta and Coastal; and Unincorporated.¹² Figure 5 shows the share of units that would be allocated to each of these four areas from the three methodology options. Figure 5 also shows each county’s share of household growth from ABAG’s 5th Cycle RHNA methodology and Plan Bay Area 2040 as points of reference. Compared to ABAG’s 5th Cycle RHNA methodology and Plan Bay Area 2040, the three methodology options would direct more housing growth to jurisdictions in the Bayside and Unincorporated areas, less household growth to the Big Three cities, and similar amounts of housing growth to jurisdictions in the Inland, Delta, and Coastal area.

¹² The following is a list of cities and towns by geographical area: **Big Three:** San Jose, San Francisco, Oakland; **Bayside:** Alameda, Albany, Atherton, Belmont, Belvedere, Berkeley, Brisbane, Burlingame, Campbell, Colma, Corte Madera, Cupertino, Daly City, East Palo Alto, El Cerrito, Emeryville, Fairfax, Foster City, Fremont, Hayward, Hercules, Hillsborough, Larkspur, Los Altos, Los Altos Hills, Los Gatos, Menlo Park, Mill Valley, Millbrae, Milpitas, Monte Sereno, Mountain View, Newark, Pacifica, Palo Alto, Piedmont, Pinole, Portola Valley, Redwood City, Richmond, Ross, San Anselmo, San Bruno, San Carlos, San Leandro, San Mateo, San Pablo, San Rafael, Santa Clara, Saratoga, Sausalito, South San Francisco, Sunnyvale, Tiburon, Union City, Vallejo, Woodside; **Inland, Delta and Coastal:** American Canyon, Antioch, Benicia, Brentwood, Calistoga, Clayton, Cloverdale, Concord, Cotati, Danville, Dixon, Dublin, Fairfield, Gilroy, Half Moon Bay, Healdsburg, Lafayette, Livermore, Martinez, Moraga, Morgan Hill, Napa, Novato, Oakley, Orinda, Petaluma, Pittsburg, Pleasant Hill, Pleasanton, Rio Vista, Rohnert Park, San Ramon, Santa Rosa, Sebastopol, Sonoma, St. Helena, Suisun City, Vacaville, Walnut Creek, Windsor, Yountville; **Unincorporated:** all unincorporated areas

Figure 5: Allocations by Jurisdiction Type for Top Three Methodology Options



The Relationship between Plan Bay Area 2050 and RHNA

By law, the RHNA Plan is required to be consistent with the development pattern from Plan Bay Area 2050. Staff provided a high-level overview of the similarities and differences between how the Plan Bay Area 2050 Blueprint and RHNA methodology are developed and the desired outcomes for each process. HMC members discussed potential options for how the Blueprint might be incorporated into the RHNA methodology, including:

1. Using the forecasted development pattern from the Blueprint as a baseline input into the RHNA methodology
2. Using a hybrid approach that uses the forecasted development pattern from the Blueprint along with additional factors to represent policy goals that are underrepresented in the Blueprint to direct RHNA allocations
3. Not using forecasted data from the Blueprint, but include factors that align with the policies and strategies in the Blueprint to direct RHNA allocations.

HMC members expressed interest and some concerns in considering use of the Plan in the methodology. While the strategies integrated into the Draft Blueprint were adopted in February 2020, the HMC is awaiting further details on the outputs of the Draft Blueprint modeling, which are anticipated in summer 2020. At that time, they will make a determination on if and how to integrate the Plan Bay Area 2050 Blueprint into the RHNA methodology. If not, they may need to adjust factors and weights to achieve consistency under Option 3 above.

Next Steps

- At the May 14 HMC meeting, ABAG staff will introduce potential options for allocating RHNA units by income category. Staff will also present potential metrics for evaluating methodology options to inform the HMC's deliberations as they develop a methodology that addresses the RHNA statutory objectives.
- The HMC will continue its development of the RHNA methodology through the summer, including a discussion of whether or not to incorporate the Plan Bay Area 2050 Blueprint, which is expected to be completed by July.
- ABAG expects to receive the RHND from HCD in June/July 2020 and will provide an update to the ABAG Executive Board at that time.