TO: Housing Methodology Committee   DATE: October 10, 2019

FR: Deputy Executive Director, Policy

RE: Regional Housing Needs Allocation Overview

What is the Regional Housing Need Allocation (RHNA)?

Since 1969, the State of California has required that all local governments (cities and counties) adequately plan to meet the housing needs of everyone in our communities. To meet this requirement, each city or county must develop a Housing Element as part of its General Plan (the local government's long-range blueprint for growth) that shows how it will meet its community's housing needs. There are many laws that govern this process, and collectively they are known as Housing Element Law.

The Regional Housing Need Allocation (RHNA) process is the part of Housing Element Law used to determine how many new homes, and the affordability of those homes, each local government must plan for in its Housing Element. This process is repeated every eight years, and for this cycle the Bay Area is planning for the period from 2022-2030.

Responsibility for completing RHNA is shared among state, regional, and local governments:

- The **role of the State** is to identify the total number of homes for which each region in California must plan in order to meet the housing needs of people across the full spectrum of income levels, from housing for very low-income households all the way to market rate housing. This is developed by the California Department of Housing and Community Development (HCD) and is known as the Regional Housing Need Determination (RHND).

- The **role of the region** is to allocate a share of the Bay Area's RHND to each city and county in the region. The cities, counties and stakeholders in the Bay Area work together on the methodology for this allocation through the Association of Bay Area Governments (ABAG), the Council of Governments (COG) for the Bay Area.

- The **role of local governments** is to participate in the development of the allocation methodology and to update their Housing Elements and local zoning to show how they will accommodate their share of the RHND.

What Principles Guide the RHNA Process?

RHNA and Housing Elements are the primary mechanism by which the State of California requires local governments to take action to meet the housing needs of everyone in the state. Both the RHNA Plan and local Housing Elements must meet five objectives that recognize the importance of comprehensively planning for housing in ways that also promote other priorities, including promoting equity, strengthening the economy, protecting the environment, and promoting public health and safety in the state.

The RHNA objectives can be summarized as:

- Increase housing supply and mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner.

- Promote infill development (homes in already-developed areas) and socioeconomic equity, protect environmental and agricultural resources, encourage efficient development patterns (such as putting jobs close to housing), and achieve greenhouse gas reduction targets.

- Promote a thoughtful distribution of jobs and housing region-wide, including an improved balance between low-wage jobs and the number of affordable housing in each jurisdiction.

- Balance disproportionate household income distributions by allocating more market rate homes to lower-income areas and more low-income and very low-income homes in opportunity-rich areas.

- Affirmatively further fair housing, by taking actions to overcome patterns of segregation and foster inclusive communities that provide universal access to opportunity, regardless of a person's race, color, sex, family status, national origin, or disability. Although RHNA is based on the principle that every community should do its "fair share" to provide homes for people at all income levels, the addition of this new objective makes this concept more explicit.

Conceptual Overview of the RHNA Process
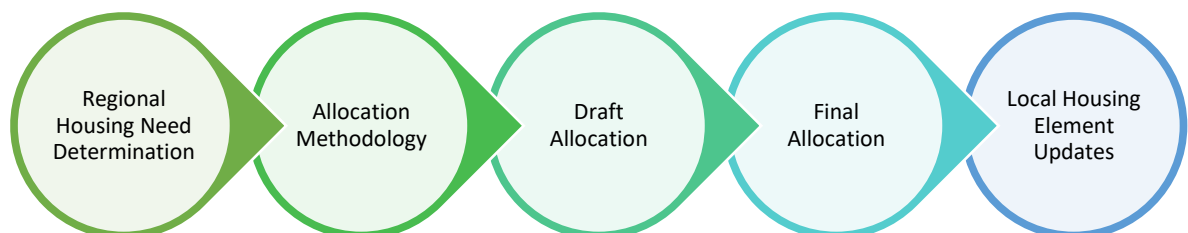
Housing Element Law outlines the detailed steps required for completing RHNA, including many opportunities for stakeholders and members of the public to provide input into the process. Conceptually the key milestones in the process are:

Regional Housing Need Determination: As noted above, HCD will identify the total number of housing units, by income category, for which the Bay Area must plan for 2022 to 2030. ABAG consults with HCD about the need determination, but Housing Element law was recently changed to be more prescriptive about how HCD determines the region's housing need.

To ensure the RHND accounts for unmet existing housing need, in addition to the housing needs projected for 2022-2030, HCD must include information about overcrowded households,

households that are cost-burdened, and a target vacancy rate for a healthy housing market when identifying the RHND. These changes are likely to result in a higher RHND for the Bay Area than those the region has received in past cycles.

Allocation Methodology: The allocation methodology is a formula that divvies up the Bay Area's RHND and calculates the number of housing units and the affordability levels of those units that will be assigned to each city and county to accommodate in its Housing Element. In an effort to incorporate diverse perspectives in determining an equitable distribution of the needed housing to each local government, ABAG convenes a Housing Methodology Committee (HMC) comprised of local government elected officials, staff, and stakeholders from throughout the region to advise ABAG in developing the allocation methodology.

The foundation for this formula is the pattern of expected growth in population, households and jobs from the region's long-range plan, *Plan Bay Area 2050*. Members of the HMC will work collaboratively to build a numerical formula for allocating housing need by selecting "factors" that adjust the underlying growth pattern from *Plan Bay Area 2050*. The factors chosen by the HMC will use data for each city or county in the region about the selected topic or principle.

The HMC must consider 14 different factors from Housing Element Law, as well as other potential factors identified by the committee, for inclusion in the methodology to allocate housing need in a way that achieves the five RHNA objectives. The Housing Element Law factors can be summarized as:

1. Existing and projected jobs and housing relationship, ***particularly low-wage jobs and affordable housing***	7. Agreements to direct growth toward incorporated areas
	8. Loss of deed-restricted affordable units
2. Lack of capacity for sewer or water service due to decisions outside jurisdiction's control	9. ***Households paying more than 30 percent and more than 50 percent of their income in rent***
3. Availability of land suitable for urban development	10. ***The rate of overcrowding***
4. Lands protected from urban development under existing federal or state programs	11. Housing needs of farmworkers
	12. Housing needs generated by a university within the jurisdiction
5. County policies to preserve prime agricultural land	13. ***Units lost during a state of emergency that have yet to be replaced***
6. Distribution of household growth in *Plan Bay Area 2050* and opportunities to maximize use of transit and existing transportation infrastructure	14. ***The region's GHG targets***

* Italicized text indicates new factors added for this, the sixth cycle of RHNA.

Members of the HMC are asked to work together to select the best mix of factors that would result in an equitable distribution of housing need throughout the region. Committee members will have to grapple with determining what is "equitable" and finding the right balance in

achieving each of the RHNA objectives, which can sometimes appear to be at odds with one another. The HMC is responsible for advising staff on a methodology for allocating the entire RHND, and figuring out how to balance the needs of jurisdictions with the needs of the region is the challenge of each RHNA cycle. The final allocation must also be consistent with the development pattern in *Plan Bay Area 2050*.

ABAG staff will share information about the HMC's deliberations and recommendations with the ABAG Regional Planning Committee (RPC). Serving as the primary committee for the working group to interact with, the RPC will then use the input from the HMC to make recommendations to the ABAG Executive Board, which has the authority to make final decisions. ABAG is required to issue a proposed methodology for public comment and then develop a draft methodology to send to HCD for its review prior to adopting a final methodology.

Draft and Final Allocation: Once the final methodology is adopted, ABAG issues a draft allocation to local governments—this is the number of units at each income level that each city and county must show they have the capacity to build. Following the draft allocation, a local government or HCD can appeal the allocation to a particular jurisdiction by making a case that the allocation does not further the RHNA objectives. An appeal of a jurisdiction's allocation does not reduce the RHND for the region. If an appeal is upheld, affected units would be redistributed to others in the region. After ABAG takes action on the appeals, it then issues the final allocation.

Local Housing Element Updates: Each local government must then revise the Housing Element of its General Plan to show it has zoned sufficient sites at densities that will allow it to accommodate its portion of the region's housing need. The Housing Element also identifies policies and strategies the local government will undertake to support housing development and to meet the housing needs of its residents. Similar to the RHNA Plan, each community's Housing Element must affirmatively further fair housing. ABAG's formal role within RHNA ends with adoption of the final allocation—it does not have a say in the approval of local jurisdictions' Housing Elements, which are approved by State HCD. However, ABAG has traditionally provided data and other support to jurisdictions as they develop their Housing Elements.

How Do Subregions Play a Role in the RHNA Process?
RHNA law allows neighboring jurisdictions to form a subregion to conduct a separate but parallel RHNA process. A subregion accepts responsibility for undertaking all of the mandatory steps for completing the RHNA allocations for its member jurisdictions. Forming a subregion allows local governments to work collaboratively toward allocations that are more tailored to the local context. Bay Area jurisdictions have until early 2020 to decide to form a subregion. The HMC will provide feedback on the methodology for determining the subregion's share of the Bay Area RHND. The subregion's portion of the RHND will be removed from the region's allocation process. Although a subregion might choose to use the region's allocation methodology as a reference, the subregion will create its own allocation methodology and issue its own RHNA allocations.