REGIONAL HOUSING NEEDS ALLOCATION

Association of Bay Area Governments

DATE: January 24, 2020

- TO: Housing Methodology Committee
- FR: Deputy Executive Director, Policy
- RE: Potential Factors for the RHNA Methodology

Overview

The Housing Methodology Committee's (HMC) objective is to recommend an allocation methodology for dividing up the Bay Area's Regional Housing Need Determination among the region's jurisdictions. This Regional Housing Needs Allocation (RHNA) methodology is a formula that calculates the number of housing units assigned to each city and county, and the formula also distributes each jurisdiction's housing unit allocation among four affordability levels. The HMC will need to select key factors to serve as the main components of the methodology. These methodology components function as levers that "drive" the allocation from the regional total to the jurisdiction share. While the RHNA process focuses on housing need, staff recognizes that *identifying* need is as much art as science. Ultimately, the allocation assigned to jurisdictions will be based on the factors that HMC members and ABAG's Executive Board consider most important.

Potential Methodology Factors

Staff has developed a set of potential factors for inclusion in the RHNA allocation methodology that respond to the priorities identified by HMC members in December 2019. The factors are grouped into five categories: Plan Bay Area 2050 forecasts, fair housing and equity, jobs and jobs-housing fit, transit, and other topics of importance.

The RHNA methodology must achieve two outcomes: determining the total number of housing units for each jurisdiction and determining the distribution of those units into the four income categories. For now, staff is focusing on factors that would be used to identify a jurisdiction's total number of housing units, although some of the factors presented could also be used as part of the income allocation methodology.

At the December meeting, some HMC members expressed a desire for a methodology factor related to racial segregation. However, racial segregation occurs in many forms and can be difficult to quantify, especially in racially diverse regions like the Bay Area. An index for racial segregation could label two very different areas as equally racially segregated: for example, one area could be racially segregated and affluent while another could be segregated with a high concentration of poverty; in this hypothetical example, both could be viewed as equally racially segregated depending upon how segregation is measured.

Thus, staff decided it would be difficult to propose a factor for racial segregation without first clarifying the types of segregation the HMC is seeking to address through the RHNA process and how the RHNA methodology would incorporate segregation (i.e., how is a jurisdiction deemed to be "segregated" and how does that designation impact the number of units the jurisdiction is assigned?). Though none of the factors listed below explicitly incorporates racial

demographics, analysis by staff indicates that a factor based on High Resource Areas (as defined by the State's Opportunity Mapping) does have the potential to provide more housing opportunities for low-income households and people of color in jurisdictions to which these communities have historically lacked access.

Role of Plan Bay Area 2050 in the Allocation Methodology

As discussed during the December 2019 meeting, the HMC will need to decide the extent to which Plan Bay Area 2050 is integrated in the RHNA methodology. As noted at the meeting, SACOG (Sacramento) used the growth forecast from its long-range plan as the only factor to determine a jurisdiction's total RHNA while SANDAG (San Diego) does not use its long-range plan at all.

There are three primary options for how the HMC could use the Plan Bay Area 2050 Blueprint in the RHNA methodology:

- Option 1: use forecasted development pattern from the Blueprint to direct RHNA allocations, similar to SACOG's approach
- Option 2: use 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
- Option 3: do not use forecasted data from the Blueprint, but include factors that align with the policies and strategies in the Blueprint to direct RHNA allocations, similar to SANDAG's approach

Although the Blueprint has not been developed yet, it is likely that there will be significant alignment between Plan Bay Area 2050 and RHNA. As a result, members of the HMC may wish to remove or modify the methodology factors they have identified for RHNA if they ultimately decide to incorporate information from the Blueprint once it is complete. For example, the Plan's forecasts incorporate the region's transportation infrastructure, so additional factors related to transit are unlikely to be needed in the methodology if the methodology incorporates the Plan.

There are several potential factors identified below that propose to use data from the Plan Bay Area 2050 Blueprint. Since the Blueprint has not yet been developed, staff used information from the Clean and Green Future developed as part of the <u>Horizon Initiative</u> as a placeholder until the Blueprint forecast is released. The Clean and Green Future is one where:

Recognizing the growing impacts of climate change, the federal government significantly tightens environmental regulations and implements an ambitious, nationwide carbon tax. New technologies thrive, with virtual reality enabling telecommuting and smaller-scale workplaces distributed across town centers. While high-tech manufacturing thrives in the United States, economic growth slows for other more energy-intensive sectors.

Clean and Green was selected as the placeholder because it best represents the moderate-growth Future explored in the Horizon process. The data used for the maps of the potential Plan-related factors is from the *Horizon Futures Round 2* because the growth framework for this second round of analysis incorporates additional growth in High Resource Areas and Transit-Rich Areas. ABAG

and MTC will need direction from the ABAG Executive Board and MTC Commission about whether to continue to incorporate these areas into the growth framework for the Blueprint. Staff expects to receive additional direction from policymakers on this topic in February 2020.

Continuation of Discussion of Potential Factors

The potential methodology factors identified by staff based on the priorities identified by the HMC in December are summarized in the tables below. The factors that use Plan Bay Area 2050 rely on forecasted data, while the factors in other categories use data about existing conditions. The goal of the January meeting is for the HMC to continue to refine its top priorities for the factors to include in the methodology, and HMC members can propose refinements and additions to the ideas presented here. HMC members will have the chance to discuss the factors identified below based on maps that show the regional patterns for each topic.

The HMC will have an opportunity to consider factors for the income allocation at future meetings. Additionally, the HMC will need to decide on the "weighting" of each factor in the allocation formula, which represents how much a factor is emphasized and influences how a factor affects the methodology's outcome.**Plan Bay Area 2050**¹

ID	Factor	Definition	Impact	Data Source
P1	Local growth	Jurisdiction's share of the	More housing units	MTC
		region's household growth	allocated to	
		based on Plan Bay Area 2050	jurisdictions with a	
		forecasts.	higher share of the	
			region's forecasted	
			growth.	
P2	Future jobs	Jurisdiction's share of the	More housing allocated	MTC
		region's projected jobs based	to jurisdictions with a	
		on Plan Bay Area 2050	higher share of	
		forecasts.	projected jobs.	
P3	Transit	Jurisdiction's projected	More housing allocated	MTC
	accessibility	percentage of the region's	to jurisdictions	
	(projected)	households within TPAs	projected to have more	
		based on Plan Bay Area 2050	residents living near	
		forecasts.	frequent transit.	

¹ Although ABAG would likely use data for year 2030 if the HMC decides to use Plan Bay Area 2050, the maps for these factors used data for year 2050 from the Clean and Green future due to greater reliability of the data that is currently available.

Fair Housing and Equity

ID	Factor	Definition	Impact	Data Source
E1	Access to high	The percentage of a	More housing units	HCD/TCAC
	resource areas	jurisdiction's households	allocated to	2019
		living in census tracts	jurisdictions with the	Opportunity
		labelled High Resource or	most access to	Maps
		Highest Resource based on	opportunity.	
		opportunity index scores. ²		
E2	Existing need	The percentage of a	More housing allocated	Census
	(cost burden)	jurisdiction's households that	to jurisdictions with	Bureau (ACS
		are cost-burdened, meaning	high existing housing	for 2014-
		that a household pays more	need, as indicated by	2018)
		than 30% of its income to	high rates of housing	
		housing costs.	cost burden.	
E3	Existing need	The percentage of a	More housing allocated	Census
	(overcrowding)	jurisdiction's households	to jurisdictions with	Bureau (ACS
		living in overcrowded	high existing housing	for 2014-
		housing, meaning a	need, as indicated by	2018)
		household with more than	high rates of	
		one resident per room in a	overcrowding.	
		dwelling.		

² 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 <u>https://www.treasurer.ca.gov/ctcac/opportunity/final-opportunity-mapping-methodology.pdf</u> (pages 7-8).

Jobs and Jobs-Housing Fit

ID	Factor	Definition	Impact	Data Source
J1	Existing jobs	Jurisdiction's current share of	More housing allocated	Census LEHD
		region's total jobs.	to jurisdictions with	for 2017
			more jobs.	
J2	Job	Share of region's total jobs	More housing allocated	MTC, Census
	accessibility	that can be accessed from a	to jurisdictions with	LEHD for
		jurisdiction by a 30-minute	easy access to the	2017
		commute.	region's job centers.	
J3	Jobs-housing	Ratio of jobs within a	More housing allocated	MTC, Census
	balance	jurisdiction to the number of	to jurisdictions with a	ACS for
		housing units in the	high number of jobs	2014-2018,
		jurisdiction.	relative to the amount	Census LEHD
			of housing.	for 2017
J4	Jobs-housing	Ratio of low-wage jobs (less	More housing allocated	MTC, Census
	fit	than \$3,333/month) within a	to jurisdictions with a	ACS for
		jurisdiction to the number of	high number of low-	2014-2018,
		low-cost rental units (less	wage jobs relative to	Census LEHD
		than \$1,500/month) in the	the number of low-cost	for 2017
		jurisdiction.	rental units.	

Transportation

ID	Factor	Definition	Impact	Data Source
T1	Transit	Jurisdiction's percentage of	More housing allocated	MTC
	connectivity	the region's total acres	to jurisdictions with	
		within Transit Priority Areas	existing transit	
		(TPAs) ³ .	infrastructure.	
T2	Transit	Jurisdiction's existing	More housing allocated	MTC, Census
	accessibility	percentage of the region's	to jurisdictions with the	(ACS for
	(current)	households within TPAs.	most residents currently	2014-2018)
			living near transit.	

Other Topics of Importance

ID	Factor	Definition	Impact	Data Source
01	Natural	Percentage of acres within a	More housing is	MTC
	hazards	jurisdiction's urbanized area	allocated to areas with	
		in locations with low risk	low natural hazard risk.	
		from natural hazards		
		according to the MTC/ABAG		
		Multi-Hazard Index. ⁴		
O2	Permits issued	The jurisdiction's share of	More housing allocated	ABAG
	for lower-	permits issued for very low-	to jurisdictions that	
	income units	and low-income units	permitted fewer lower-	
		relative to total permits	income units during the	
		issued during the 2007-2014	2007-2014 RHNA cycle.	
		RHNA cycle.		

³ Defined in the California Public Resources Code, Section 21099 as areas within 1/2 mile of a Major Transit stop, which could be any of the following:

⁻ Existing rail stations

⁻ Planned rail stations in an adopted RTP

⁻ Existing ferry terminals with bus or rail service

⁻ Planned ferry terminals with bus or rail service in an adopted RTP

⁻ Intersection of at least two existing or planned bus routes with headways of 15 minutes or better during both the morning and evening peak periods

⁴ The MTC/ABAG Multi-Hazard Index includes data related to wildfire, landslide, earthquake (liquefaction), and/or current or future flood risk. Areas with severe exposure to one or more hazard score lowest. For more information, see https://mtc.ca.gov/sites/default/files/Horz_Perspective3_022719.pdf (page 21).