REGIONAL HOUSING NEEDS ALLOCATION

⚙ **Association of Bay Area Governments**

TO: Housing Methodology Committee   DATE: May 14, 2020

FR: Deputy Executive Director, Policy

RE: <u>Potential Metrics for Evaluating the RHNA Methodology</u>

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. ABAG will submit the methodology to the Department of Housing and Community Development (HCD) for approval, and HCD will determine whether the methodology furthers the five objectives identified in Housing Element Law.

Developing the methodology is a complex process; therefore, staff proposes to identify metrics that can be used to evaluate different methodology options developed by the HMC. These metrics can help ensure that any proposed methodology will meet the statutory RHNA objectives and further regional planning goals. The five RHNA statutory objectives embody many different policy goals, some of which are not always aligned with each other. One purpose of these metrics is to inform the HMC's decisions about how to effectively balance these goals while developing a methodology that meets the required objectives.

Importantly, any evaluation metrics the HMC chooses need to reflect the narrow scope of RHNA. The primary role of the RHNA methodology is to encourage a regional pattern of housing growth for the Bay Area, and RHNA does not play a role in identifying specific locations within a jurisdiction that will be zoned for housing. Accordingly, this memo presents options for evaluation metrics that can assess whether a methodology furthers the statutory objectives and other high priority regional policy goals directly related to RHNA. Staff seeks the HMC's feedback on what measures might be the most relevant or helpful for evaluating potential RHNA methodologies.

Potential Evaluation Framework for the RHNA Methodology

Staff has developed a set of potential metrics for evaluating RHNA methodology options suggested by the HMC (Tables 1 and 2). In the tables below, each statutory objective has been reframed as a question to help the HMC assess how well a methodology option achieves state requirements and regional planning goals. The wording of the question reflects the language the statute uses to define the objectives.[1] Each statutory objective is accompanied by potential quantitative metrics for evaluating the allocation produced by a methodology. This question-oriented evaluation framework can assist the HMC with developing a cohesive narrative for

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[1] See California <u>Government Code Section 65584(d)</u>.

explaining how a methodology produces optimal outcomes for the region and achieves the objectives required by law.

Metrics Identified by HCD

At the January 2020 HMC meeting, staff presented an overview of the analysis conducted by HCD in evaluating the RHNA methodologies completed by other regions in California. Staff reviewed the approval letters HCD provided to the Sacramento Area Council of Governments (SACOG), San Diego Association of Governments (SANDAG), and Southern California Association of Governments (SCAG).[2] In these letters, HCD describes how the RHNA methodologies further each of the five statutory objectives. While the letters do not provide specific measures for evaluating the methodologies, these documents give a sense of the criteria HCD will use to determine whether the draft methodology selected by ABAG sufficiently achieves the statutory objectives.[3]

The metrics in Table 1 come directly from statements HCD made in the letters to SACOG, SANDAG, and SCAG explaining why their methodologies achieve the statutory objectives. HCD's explanations vary across the letters and mention some metrics more consistently than others. Table 1 notes which metrics appear in all three letters sent by HCD.

In addition to considering the metrics identified in HCD's letters, the HMC may wish to incorporate additional measures for evaluating proposed RHNA methodologies. Table 2 presents evaluation metrics developed by staff related to Objective 2[4], Objective 5[5], and a possible new sixth objective (pending state legislation, more details provided below). In its letters to other regions, HCD discussed how RHNA methodologies achieved Objective 2 by either aligning with the existing locations of jobs and transit or by being based on long-range regional plans, similar to Plan Bay Area 2050. ABAG staff wanted to provide the HMC with more specific quantitative measures for assessing whether a methodology achieves this objective, which are listed in Table 2. The paragraphs below provide more context for the metrics in Table 2 related to Objective 5 and the pending sixth objective.

Additional Metrics for Fair Housing and Racial Equity

One of the statutory objectives for RHNA is that the methodology must affirmatively further fair housing. Housing Element Law defines affirmatively furthering fair housing as:

> "taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to

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[2] For copies of letters HCD sent to other regions, see this document from the January 2020 HMC meeting agenda packet.
[3] For a summary of the evaluation metrics alluded to in the HCD letters, see this document from the January 2020 HMC meeting agenda packet.
[4] Objective 2 is "Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, the encouragement of efficient development patterns, and the achievement of the region's greenhouse gas reductions targets provided by the State Air Resources Board." See California Government Code Section 65584(d)(2) for more information.
[5] Objective 5 is "Affirmatively furthering fair housing." See California Government Code Section 65584(d)(5) for more information.

opportunity based on protected characteristics. Specifically, affirmatively furthering fair housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws."[6]

HCD's discussion of affirmatively furthering fair housing in its letters to SACOG, SANDAG, and SCAG centers solely on data from the Opportunity Map produced by the California Tax Credit Allocation Committee (TCAC) and HCD. HCD's evaluation of whether other regions' methodologies further this objective focused on whether a methodology directs lower income RHNA to jurisdictions with a high percentage of households living in census tracts labelled High Resource or Highest Resource on the Opportunity Map.[7] However, the HMC could use other evaluation metrics—in addition to the Opportunity Map scores—to ensure the RHNA methodology has a maximum impact on overcoming patterns of segregation and fostering inclusive communities. For example, some HMC members and community stakeholders have expressed interest in evaluation metrics that consider racial segregation more explicitly and specifically focus on areas with housing markets characterized by socioeconomic and racial exclusion. The metrics in Table 2 accompanying Objective 5 reflect this input from stakeholders as well as staff's interpretation of statutory language related to affirmatively furthering fair housing.

Pending Addition of Sixth Statutory Objective
[Senate Bill 182] (Jackson) would add a new RHNA objective to Housing Element Law and add wildfire risk to the list of factors that must be considered for the RHNA methodology. Indications are that this bill will be passed this year and apply to this RHNA cycle for ABAG. Although the bill includes specifics about addressing fire risks, nothing in the bill prohibits ABAG from considering wildfire risk in addition to other hazards. Additionally, throughout the methodology development process, the HMC has expressed an interest in minimizing the number of households who face high risk from natural hazards. Hazard risk reduction is also a priority within ABAG/MTC's long-range planning efforts. Table 2 proposes a metric related to this potential sixth objective that uses the revised ABAG/MTC Multi-Hazard Index presented to the HMC at its March 2020 meeting.[8]

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[6] See California Government Code Section 65584(d).

[7] For more information on the Opportunity Map, see pages 10-13 of this document from the March 2020 HMC meeting's agenda packet.

[8] For more information on the revised ABAG/MTC Multi-Hazard Index, see pages 14-15 of this document from the March 2020 HMC meeting's agenda packet.

Table 1. Metrics Based on HCD's Evaluation of Other Region's Methodologies

*Metrics highlighted in **bold** with asterisks (**) appear in all three letters sent by HCD to other regions.

Statutory Objective	Possible Metric	Data Source
Objective 1: Does the allocation increase the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner?	**1a. Higher percentage of RHNA as lower income units for jurisdictions with the highest housing costs****	Census ACS for 2014-2018
	1b. Higher percentage of RHNA as lower income units for jurisdictions with highest percent of single-family homes	Census ACS for 2014-2018
Objective 2: Does the allocation promote infill development and socioeconomic equity, the protection of environmental and agricultural resources, the encouragement of efficient development patterns, and the achievement of the region's greenhouse gas reductions targets?	2a. Higher percentage of RHNA total unit allocations to jurisdictions with highest percentage of the region's jobs	MTC, Census LEHD for 2017
Objective 3: Does the allocation promote an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low wage workers in each jurisdiction?	3a. Higher percentage of RHNA as lower income units for jurisdictions with the highest ratio of low-wage jobs to housing units affordable to low-wage workers	MTC, Census ACS for 2014-2018, Census LEHD for 2017
Objective 4: Does the allocation direct a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category?	4a. Lower percentage of RHNA as lower income units for jurisdictions with a higher share of lower-income households[9]	Census ACS for 2014-2018
	4b. Higher percentage of RHNA as lower income units for jurisdictions with a higher share of higher-income households[10]	Census ACS for 2014-2018
Objective 5: Does the allocation affirmatively further fair housing?	**5a. Higher percentage of RHNA as lower income units for jurisdictions with the most households in High Resource/Highest Resource tracts****	HCD/TCAC 2020 Opportunity Maps

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[9] Lower-income households includes households in the very low- and low-income groups (<80% of Area Median Income).

[10] Higher-income households includes households in the moderate- and above moderate-income groups (>=80% of Area Median Income).

Table 2. Additional Evaluation Metrics Proposed by ABAG Staff

Statutory Objective	Possible Metric	Data Source
Objective 2: Does the allocation promote infill development and socioeconomic equity, the protection of environmental and agricultural resources, the encouragement of efficient development patterns, and the achievement of the region's greenhouse gas reductions targets?	2b. Higher RHNA total unit allocations for jurisdictions with the highest percent of the region's total Transit Priority Area acres	MTC
	2c. Percentage of jurisdictions whose RHNA housing growth through 2031 is less than or equal to housing growth projected in Plan Bay Area 2050 through 2050	MTC
Objective 5: Does the allocation affirmatively further fair housing?	5b. Higher percentage of RHNA total unit allocations compared to the jurisdiction percentage of regional households, calculated for jurisdictions with a higher share of higher-income households with highest divergence scores	Census ACS for 2014-2018
	5c. Higher percentage of RHNA as lower income units for jurisdictions with a higher share of higher-income households with highest divergence scores	Census ACS for 2014-2018
Objective 6 *(pending state legislation)*: Does the allocation promote resilient communities, including reducing development pressure within very high fire risk areas?	6a. Lower total units allocated per household for jurisdictions with highest percent of urbanized area at high risk from natural hazards[11]	MTC; Census ACS for 2014-2018; USGS liquefaction susceptibility; CAL FIRE FRAP LRA/SRA data; FEMA (flood zones), Alquist-Priolo Fault Zones (California Geological Survey)

Next Steps

ABAG staff has added many of the proposed evaluation metrics to the online visualization tool (https://rhna-factors.mtcanalytics.org) to enable users to evaluate different methodology options. HMC members will have an opportunity at the May meeting to assess the three methodology options created in March as a starting place for exploring the use of these metrics. Staff will be seeking feedback about the metrics prior to their use at future meetings.

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[11] For more information ABAG/MTC Multi-Hazard index used to assess hazard risk, see pages see pages 14-15 of this document from the March 2020 HMC meeting's agenda packet.