

REGIONAL HOUSING NEEDS ALLOCATION



TO: ABAG Executive Board

DATE: June 18, 2020

FR: Executive Director

RE: Update on Regional Housing Need Determination (RHND)

Overview

On June 10, 2020, the California Department of Housing and Community Development (HCD) transmitted its proposed Regional Housing Needs Determination for the Bay Area's Cycle 6 RHNA process to the ABAG Executive Director. As shown in **Attachment B**, the determination is the state's estimation of the total housing need for the nine-county San Francisco Bay Area between 2022 and 2030. As discussed below, the needs determination followed a consultation process between ABAG/MTC staff and HCD staff on technical inputs. ABAG is required to use it as the "big number" to distribute to local jurisdictions through the allocation process in 2021.

Consultation Process

As part of the consultation process outlined in Government Code Section 65584.01(c), ABAG was required to provide a variety of information to HCD, which was submitted as a consultation letter on May 29, 2020. ABAG/MTC staff and HCD staff also held several meetings prior to the submission to discuss the data and mechanics of the RHND calculation. The meetings focused on the appropriate forecast to use as the basis of the calculation, as well as vacancy rates, the rates of over-crowding and cost-burden, and comparable regions to the Bay Area.

ABAG/MTC staff recommended that the DOF population forecast be used as the "baseline forecast" of the RHND. The Regional Growth Forecast used in Plan Bay Area 2050 integrates strategies and policies that cause it to be significantly higher than the DOF forecast. Use of the DOF forecast is also appropriate for the RHND as HCD is required to adjust (i.e., increase) the DOF forecast using a variety of calculation factors, which would result in double-counting if overlaid with Plan Bay Area 2050 strategy impacts.

In addition, ABAG/MTC staff provided the following input to HCD:

- **Target Vacancy Rate.** HCD interprets the government code to say that the minimum target vacancy rate for the overall housing stock, rental and ownership, is 5 percent. While the law is less clear on this point, staff did not dispute the issue given that 5 percent is a reasonable vacancy rate.
- **Comparable Regions.** The adjustments made for overcrowded and cost burdened households depend on the region to which the Bay Area is compared, and the statistical data source that is used. ABAG/MTC staff identified a group of seven large regions for comparison with the Bay Area:
 1. Washington-Baltimore-Arlington, DC-MD-VA-WV-PA
 2. Seattle-Tacoma, WA
 3. Boston-Worcester-Providence, MA-RI-NH-CT

4. Denver-Aurora, CO
5. Minneapolis-St. Paul, MN-WI
6. New York-Newark, NY-NJ-CT-PA
7. Chicago-Naperville, IL-IN-WI

The government code allows the Bay Area to identify comparable regions for calculating the adjustments for overcrowded and cost burdened households. Using comparable regions instead of national averages is more accurate and tends to reduce the size of the adjustment for these two problems. HCD agreed to accept this group of regions for the comparison.

- **Appropriate Federal Data Source.** ABAG/MTC staff asked HCD to only use data from the U.S. Census PUMS 2014-2018 dataset because it is the most recent source. In this case, HCD decided to use another census tabulation, known as the 2011-2015 CHAS dataset. While this data is not as recent, HCD prefers it because it has been able to use it consistently for all of the different regions in the state. Ultimately, the selection of data source and vintage had relatively minor impacts to the RHND calculation.

Needs Determination

The calculation of the RHND follows specific rules laid out in the government code. The baseline population growth during the RHND period is multiplied by factors known as headship rates to produce the number of housing units needed. Adjustment factors for vacancy rates, overpayment and overcrowding are added to calculate the number of housing units necessary for the end of the period. This number is subtracted from the estimated housing units at the beginning of the period, to produce the RHND.

HCD has determined that the total number of housing need, as measured in housing units, for the Cycle 6 RHNA period should be **441,176 units**. The total need is further divided by income level¹ in proportions generally consistent with Cycle 5:

- **114,442 units** affordable to very-low income households (25.9%)
- **65,892 units** affordable to low-income households (14.9%)
- **72,712 units** of moderate-income households (16.5%)
- **188,130 units** of above moderate households (42.6%)

While the total number of units assigned in this RHND cycle is 135% more than in Cycle 5, it is consistent with the low rates of construction in the Bay Area since 2011. It is still well below the number of units assigned to Southern California. SCAG was assigned 1,344,740 units in Cycle 6, a 229% increase from the 409,060 units it was assigned in Cycle 5.

¹ Income categories are determined by the Area Median Income (AMI) set by the Federal Government. Very low-income households make 50% or less of AMI. Low income households make between 80% and 50% of AMI. Moderate income households make between 120% and 80% of AMI, and above moderate or market rate households make over 120% of AMI.

Next Steps

The Executive Board can object to the determination within 30 days of receipt, in accordance with Government Code Section 65584.01(c). Under the statutory deadline, this would mean that HCD would have to receive an appeal prior to July 10, 2020. The objection can only be filed if the region disagrees with HCD population projection, or it believes that HCD has misapplied the RHND methodology.

As HCD have accepted most of the information provided as part of the RHND calculation, including the use of DOF forecast as the baseline population input, and no technical inaccuracies in the RHND calculation have been identified, staff recommends accepting the notice of determination.

The HMC will continue to work to identify a proposed RHNA methodology to distribute the RHND to individual jurisdictions by the fall of this year. The RHND will also play a role in assigning final subregion shares by December 2020. The RHNA process is anticipated to wrap up in late 2021, following the completion of an appeals process next year.