REGIONAL HOUSING NEEDS ALLOCATION

Association of Bay Area Governments

TO: ABAG Regional Planning Committee DATE: September 10, 2020

FR: Executive Director

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

Overview

ABAG has convened a [Housing Methodology Committee](#) (HMC) to recommend to the Executive Board a methodology for allocating a share of the Regional Housing Need Determination (RHND) the Bay Area received from the California Department of Housing and Community Development (HCD)[1] to each local government in the region. The HMC is comprised of local elected officials and staff representing every county in the Bay Area as well as stakeholder representatives.[2] The allocation must meet the statutory objectives identified in Housing Element Law[3] and be consistent with the forecasted development pattern from Plan Bay Area 2050.[4] The final result of the RHNA process is the allocation of housing units by income category to each jurisdiction. Each local government must then update the Housing Element of its General Plan and its zoning to show how it can accommodate its RHNA allocation.

Housing Methodology Committee Discussions to Date

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,[5] that will be assigned to each city, town, and county to incorporate into its Housing Element. The HMC has met eleven times since October 2019 to discuss how to develop a methodology that advances the RHNA objectives and is consistent with Plan Bay Area 2050. The committee started with a focus on understanding the State's framework for affirmatively furthering fair housing, which emphasizes overcoming patterns of segregation and eliminating the barriers that create disparities in access to high-resource neighborhoods, and jobs-housing fit which centers on the relationship between the wage levels of jobs in a location and the affordability of available housing.

After several months of considering factors to include in the methodology and developing several potential methodology options, in June the HMC came to consensus around several recommendations to guide selection of the RHNA methodology:

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[1] In a [letter dated June 9, 2020,](#) HCD provided ABAG with a total RHND of 441,176 units for the 2023-2031 RHNA.

[2] The HMC roster is available at https://abag.ca.gov/sites/default/files/hmc_roster_06_16_2020_0.pdf.

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

[4] See [Government Code Section 65584.04(m)(1).](#)

[5] State law defines the following RHNA income categories:
- Very Low Income: households earning less than 50 percent of Area Median Income (AMI)
- Low Income: households earning 50 - 80 percent of AMI
- Moderate Income: households earning 80 - 120 percent of AMI
- Above Moderate Income: households earning 120 percent or more of AMI

1. More housing should go to jurisdictions with more jobs than housing and to communities exhibiting racial and economic exclusion
2. The methodology should focus on:
   - Equity, as represented by High Opportunity Areas
   - Relationship between housing and jobs; however, no consensus on specific factor
3. Equity factors need to be part of total allocation, not just income allocation
4. Do not limit allocations based on past RHNA
5. Housing in high hazard areas is a concern, but RHNA may not be the best tool to address

Building the RHNA Methodology

These principles identified by the HMC are guiding the refinement of the proposed methodology, which the HMC will recommend to the ABAG Regional Planning Committee (RPC) in September. The RPC will then make a recommendation to the ABAG Executive Board in October. The key components of the methodology formula that the HMC is discussing as it builds its final recommendations for the methodology are:

1. ***Baseline allocation:*** In the RHNA methodologies under consideration, the baseline allocation is used to assign each jurisdiction a beginning share of the RHND. The different baselines the HMC has considered emphasize different distributions of housing as a start point for the RHNA process.

   As shown in Attachment B, slide 6, the HMC came to consensus at its August 13th meeting to move forward with the **Future Year 2050 Households (Blueprint) baseline**. This baseline is based on a jurisdiction's share of total households in 2050 from the Plan Bay Area 2050 Blueprint, providing a middle ground between 2019 households and 2015 to 2050 housing growth in the Blueprint to serve as the baseline.

2. ***Income allocation approach:*** In addition to identifying total housing units for which a jurisdiction must plan, the RHNA methodology must also assign units by income category. The HMC explored two different options for allocating units by income, known as Income Shift and Bottom-Up (refer to Attachment B, slide 7 for more details).

   As shown in Attachment B, slide 8, the HMC came to consensus at its August 13th meeting to move forward with the **Bottom-Up income allocation** approach. In Bottom-Up, one set of factors and weights is used to allocate very low- and low-income units while a different set of factors and weights is used to allocate moderate- and above moderate-income units. The allocations resulting from these two formulas are summed together to determine a jurisdiction's total allocation.

3. ***Factors and weights:*** The factors and weights in the methodology are used to adjust a jurisdiction's baseline allocation up or down, depending on how a jurisdiction scores on a

factor compared to other jurisdictions in the region. A jurisdiction with an above average score on a factor would get an *upwards* adjustment, whereas a city with a below average score on a factor would get a *downwards* adjustment relative to the baseline allocation.

The weight assigned to a factor corresponds to the factor's relative importance in the overall allocation. When applied, the weight determines the share of the RHND that will be assigned by that particular factor. Factors assigned higher weights play a more significant role in the final allocation. Refer to Attachment B, slides 9 and 10, for more details on this component of the allocation process, as well as an example approach previously explored by the HMC. At this time, the HMC has not yet made a recommendation on factors and weights, with more discussion on this topic slated for the mid-September meeting.

Evaluating Methodology Options

As noted above, Housing Element Law requires RHNA to be consistent with the development pattern from Plan Bay Area 2050. To evaluate consistency, staff proposes to compare the 8-year RHNA housing growth and the long-range Plan Bay Area 2050 housing growth at the county level and at the subcounty level[6] to ensure that in no cases does the 8-year growth level exceed the long-range growth level at either of these geographic scales. Since the RHNA allocations are at a jurisdictional level, they have been summed to enable comparison with Plan Bay Area 2050 growth projections. When this criterion is met for both county and subcounty geographic levels, RHNA and Plan Bay Area 2050 will be determined to be consistent.

Staff has also prepared a set of potential metrics for evaluating RHNA methodology options to assist the HMC with assessing whether a proposed methodology will meet the statutory RHNA objectives and further regional planning goals. Staff based some of these metrics on the analysis conducted by HCD in evaluating RHNA methodologies completed by other regions in California.[7] Other metrics reflect input from stakeholders and staff's interpretation of statutory language.

Next Steps

Now that the HMC has established the foundational structure of the RHNA methodology with the selection of a baseline allocation and income allocation approach, the HMC will continue to refine the methodology factors and weights before recommending a proposed RHNA methodology at its final meeting on September 18. The RPC will consider the HMC's recommendation at its meeting in October and make a recommendation to the Executive Board. The Executive Board will consider approving the release of the proposed methodology for public comment in October. Following the public comment period, the RPC and Executive Board will weigh in on the draft methodology, with approval and submittal to HCD expected in December 2020.

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[6] There are 34 subcounty areas ("superdistricts") in the Bay Area; the geography was developed in the early 2000s to explore development patterns at a more localized scale. More information is available here: http://opendata.mtc.ca.gov/datasets/travel-model-super-districts?geometry=-124.477%2C37.698%2C-120.404%2C38.454

[7] For letters HCD sent to other regions, see this document from the January 2020 HMC meeting agenda packet.