

# REGIONAL HOUSING NEEDS ALLOCATION



TO: ABAG Housing Methodology Committee  
 FR: Deputy Executive Director, Policy  
 RE: Recommending a Proposed RHNA Methodology

DATE: September 18, 2020

## Overview

The Housing Methodology Committee's (HMC) objective is to recommend to the Executive Board an allocation methodology for dividing up the Bay Area's Regional Housing Need Determination (RHND) 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 RHNA allocation must meet the five statutory objectives of RHNA<sup>1</sup> and be consistent with the forecasted development pattern from Plan Bay Area 2050.<sup>2</sup>

At the August 13<sup>th</sup> meeting, the HMC established the foundation for the RHNA methodology by deciding to move forward with using 2050 Households from the Plan Bay Area 2050 Blueprint ("2050 Households (Blueprint)")<sup>3</sup> as the baseline allocation and the Bottom-Up concept as the income allocation approach—two central decisions in the methodology development. At subsequent meetings, the HMC discussed various options for refining the factors and weights that best complement this foundation to allocate RHNA units in an equitable manner.<sup>4</sup> At the September 4<sup>th</sup> meeting, the HMC came to consensus about continuing to discuss four methodology options, as well as a potential "equity adjustment," as brought forward by several HMC members. These options, brought forward for further consideration by the HMC, are described in more detail below.

## HMC Guiding Principles

At its meeting in June, the HMC came to consensus around several principles to guide the development of the RHNA methodology, including:

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

<sup>1</sup> [Government Code Section 65584\(d\)](#).

<sup>2</sup> [Government Code Section 65584.04\(m\)\(1\)](#).

<sup>3</sup> Draft Blueprint (2050 Households) data is used throughout the materials; the Final Blueprint (2050 Households) data will be integrated by the end of 2020 when it becomes available. The ABAG Executive Board and MTC Commission are slated to approve the Strategies and Growth Geographies for the Final Blueprint in September.

<sup>4</sup> For more information about the methodology options the HMC considered that use the 2050 Households (Blueprint) baseline and the Bottom-Up approach, see the agenda packets for the [August 28 HMC meeting](#) and the [September 4 HMC meeting](#).

- 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

These principles have guided the HMC's deliberations over the last several months and are reflected in the remaining methodology options under consideration for recommendation as the proposed methodology.

### **Building the RHNA Methodology**

There are three primary components of the RHNA methodology:

1. Baseline allocation
2. Income allocation approach
3. Factors and weights

In the RHNA methodologies under consideration, the baseline allocation is used to assign each jurisdiction a beginning share of the RHND. The income allocation approach determines how units are allocated by income group to each jurisdiction.<sup>5</sup> The factors and weights selected are then 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.<sup>6</sup>

### ***Baseline Allocation: 2050 Households (Blueprint)***

The first step in building the RHNA methodology was selecting a baseline allocation. As noted previously, the HMC came to consensus on using the 2050 Households (Blueprint) as the baseline allocation. With this approach, a jurisdiction's initial share of the RHND is based on its share of the region's total households in the year 2050. Using households in 2050 takes into consideration the number of households that are currently living in a jurisdiction as well as the number of households expected to be added over the next several decades. The HMC preferred this option because it captures the benefits of using the Plan Bay Area 2050 Blueprint in the RHNA methodology while also providing a middle ground between using a jurisdiction's existing households and its expected housing growth from the Plan.

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<sup>5</sup> 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

<sup>6</sup> View the presentation from the [June 2020 HMC meeting](#) for an overview of the building blocks of the RHNA methodology.

The Blueprint reflects the HMC's goals for RHNA by prioritizing housing in high-resource areas, close to existing job centers, and near transit. The Growth Geographies in the Blueprint also exclude areas with high wildfire risk and areas outside Urban Growth Boundaries. In addition, the infrastructure investments proposed in the Blueprint would protect nearly all households at risk of sea level rise. Thus, consistent with the HMC's guiding principles, the Blueprint may be more directly suited to addressing concerns related to hazards than a RHNA methodology factor that limits allocations in high hazard risk areas. Another benefit of using Plan Bay Area 2050 in some fashion is that the Blueprint uses the UrbanSim model to analyze a wide variety of land use data, such as access to jobs, services, and other destinations as informed by Plan Bay Area 2050 transportation investments. These analyses can support ABAG in demonstrating how the methodology addresses the factors outlined in Housing Element Law as well as other topics of regional significance.

Incorporating Plan Bay Area 2050 into the RHNA methodology would communicate to our local government partners and other stakeholders that we are moving toward a unified vision for the Bay Area's future. Using the Blueprint, paired with the equity-focused factors the HMC has prioritized for the RHNA methodology, will enable the region to accelerate toward a more equitable and less segregated land use pattern in the near-term while building toward the broader range of positive outcomes from the Blueprint in the long-term, such as greenhouse gas emissions reductions. Lastly, while staff's initial analyses show that using the Plan is not required to achieve consistency, using the Blueprint would increase the extent to which RHNA is consistent with the Plan.

During its deliberations about different methodology options, the HMC has consistently raised a concern about the high rates of growth that some unincorporated areas would experience from proposed RHNA allocations. Plan Bay Area 2050 focuses nearly all future growth within existing urban growth boundaries, which leads to most growth occurring in cities but a small share of growth in unincorporated areas forecasted in spheres of influence (areas that are currently unincorporated county lands but have the potential to be annexed in the future).<sup>7</sup> Even if the HMC selected the 2019 Households as the baseline for the RHNA methodology, there are still a sizeable number of households in unincorporated county lands, some in the spheres and some not.

ABAG/MTC staff is engaging in dialogue with local government staff in counties that have expressed concern about their potential RHNA allocations (so far Solano, Sonoma, and Santa Clara Counties) about assigning any sphere of influence growth to the respective cities' RHNA allocation, rather than the unincorporated county. Staff is also coordinating with HCD to ensure that any proposed change in how responsibility for RHNA units is shared among cities and the

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<sup>7</sup> Visit the CALAFCO website for more information about [spheres of influence](#).

unincorporated county would still further the RHNA objectives. It is also important to note that Housing Element Law includes a provision that allows a county to transfer a portion of its RHNA allocation to a city if land is annexed after it receives its RHNA allocation from ABAG.<sup>8</sup>

### ***Income Allocation Approach: Bottom-Up***

The second step in building the foundation of the RHNA methodology was selecting an approach for allocating units by income. The HMC came to consensus around using the Bottom-Up approach, which uses factors and weights to separately determine allocations for the four income categories. The sum of these income group allocations represents a jurisdiction's total allocation.

The Bottom-Up approach allows for more fine-grained control over allocations for a particular income category. This more targeted approach more directly supports statutory fair housing goals by enabling lower-income units to be directed specifically toward areas of opportunity. This method for allocating units by income group can help address concerns about exacerbating displacement pressures in jurisdictions with a higher percentage of lower-income households by trying to reduce the number of above moderate-income units allocated to those jurisdictions.

### ***Factors and Weights: HMC's Final Consideration of Methodology Options***

As noted previously, for the last several meetings the HMC has been discussing the weights and factors that best complement the foundation of the 2050 Households (Blueprint) baseline and Bottom-Up income allocation approach. After considering six different options at its September 4<sup>th</sup> meeting, the HMC came to consensus around two methodology options— **Option 5A: 50/50 High Opportunity Areas & Jobs** and **Option 6A: Modified High Opportunity Areas Emphasis**—as the focus for its remaining discussions about selecting a proposed methodology. For each of those options, the committee also proposed modifications to the factors and weights used to allocate very low- and low-income units. The four methodology options the HMC is considering at today's meeting for its recommendation of the proposed methodology are summarized in **Table 1**.

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<sup>8</sup> [Government Code Section 65584.07](#).

**Table 1: Factors and Weights for Four Potential Methodologies**

<b>Option 5A:</b> <b>50/50 High Opportunity Areas &amp; Jobs</b>	<b>Option 7A:</b> <b>Balanced High Opportunity Areas &amp; Job Proximity</b> <i>(differences from Option 5A underlined)</i>
<p><b>Very Low and Low</b></p> <p>50% Access to High Opportunity Areas</p> <p>50% Jobs-Housing Fit</p> <p><b>Moderate and Above Moderate</b></p> <p>50% Access to High Opportunity Areas</p> <p>50% Job Proximity – Auto</p>	<p><b>Very Low and Low</b></p> <p>50% Access to High Opportunity Areas</p> <p><u>25%</u> Job Proximity – Auto</p> <p><u>25%</u> Job Proximity – Transit</p> <p><b>Moderate and Above Moderate</b></p> <p>50% Access to High Opportunity Areas</p> <p>50% Job Proximity – Auto</p>
<b>Option 6A:</b> <b>Modified High Opportunity Areas Emphasis</b>	<b>Option 8A:</b> <b>High Opportunity Areas Emphasis &amp; Job Proximity</b> <i>(differences from Option 6A underlined)</i>
<p><b>Very Low and Low</b></p> <p>70% Access to High Opportunity Areas</p> <p>30% Jobs-Housing Fit</p> <p><b>Moderate and Above Moderate</b></p> <p>40% Access to High Opportunity Areas</p> <p>60% Job Proximity – Auto</p>	<p><b>Very Low and Low</b></p> <p>70% Access to High Opportunity Areas</p> <p><u>15%</u> Job Proximity – Auto</p> <p><u>15%</u> Job Proximity – Transit</p> <p><b>Moderate and Above Moderate</b></p> <p>40% Access to High Opportunity Areas</p> <p>60% Job Proximity – Auto</p>

The four methodology options under consideration are consistent with the HMC’s guiding principles in that they emphasize the *Access to High Opportunity Areas* factor and factors related to jobs. **Option 5A** and **Option 7A: Balanced High Opportunity Areas & Job Proximity** give a lower weight to the *Access to High Opportunity Areas* factor and a higher weight to the job-related factor(s) compared to **Option 6A** and **Option 8A: Modified High Opportunity Areas Emphasis**. Compared to **Option 5A** and **Option 6A**, **Option 7A** and **Option 8A** replace the *Jobs-Housing Fit* factor with the *Job Proximity – Auto* and *Job Proximity – Transit* factors. Again, the primary difference between **Option 7A** and **Option 8A** is the weight assigned to the *Access to High Opportunity Areas* factor relative to the Job Proximity factors.

With the suggested changes to Option 5A and Option 6A, the HMC discussed a desire to emphasize proximity to jobs more broadly, rather than the *Jobs-Housing Fit* factor’s more narrow focus on the relationship between low-wage jobs and homes affordable to low-wage workers within each jurisdiction’s boundaries. Committee members also agreed it was important to increase homes in locations where jobs can be easily accessed by auto and not just transit, since not all lower-income workers can use transit to get to jobs and because most workers still drive to work. Increasing homes in places that would allow for shorter driving commutes is

complementary to increasing homes near transit in terms of reducing the region's greenhouse gas emissions.

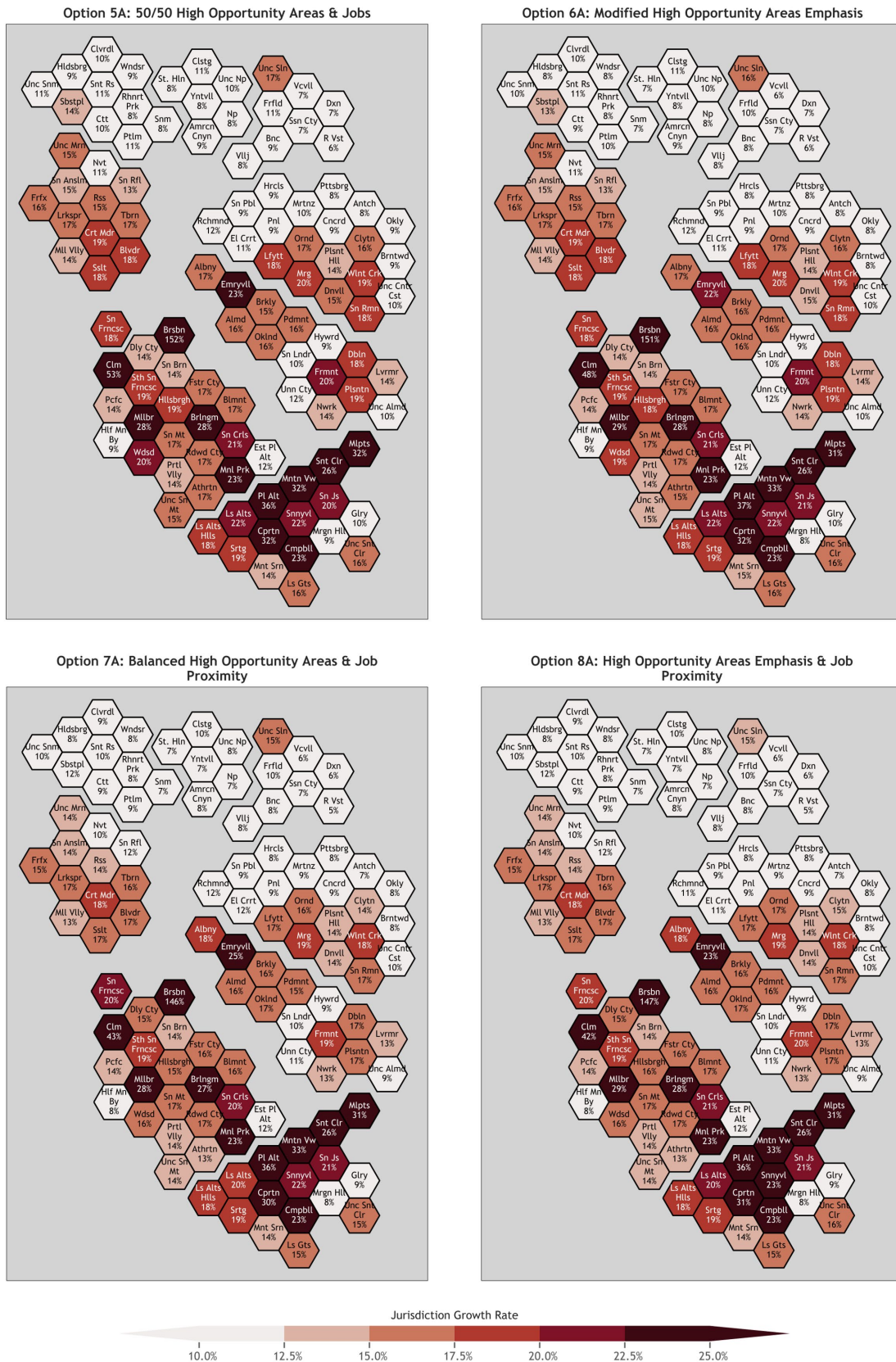
**Appendix 1** shows each jurisdiction's allocation by income for each of the four methodology options. **Appendix 2** shows each jurisdiction's total allocation and **Appendix 3** includes maps of each of the methodologies. **Appendix 4** is the data table showing the results for all methodology options, and it includes the results for the 2050 Households (Blueprint) baseline as well as the 2019 Households baseline as a point of reference, as requested by HMC members at the September 4<sup>th</sup> meeting.

**Figure 1** shows the *growth rate* that each jurisdiction would experience from the allocations resulting from each of the four methodology options. As a reminder, Option 7A is a variation on Option 5A and Option 8A is a variation on Option 6A. Jurisdictions with the darkest brown experience the highest growth rates while those in the light grey experience the lowest growth rates. In general, the four options distribute RHNA units in a similar pattern. In all of the options, the jurisdictions with the highest growth rates are generally in the South Bay and along the Peninsula and those with the lowest growth rates are in Sonoma, Napa, and Solano Counties and the northern and eastern portions of Contra Costa County.

There are relatively small variations between **Option 5A** and **Option 6A**. Compared to both **Option 5A** and **Option 6A**, **Option 7A** and **Option 8A** direct more RHNA units to San Francisco and fewer units to many other jurisdictions throughout the region, although the above-average allocations to most jurisdictions in Silicon Valley are largely unchanged.



**Figure 1: Growth Rates from Methodology Options with 2050 Households Baseline**



## Equity Adjustment Proposed by HMC Members

At the September 4<sup>th</sup> meeting, the HMC discussed an alternative metric proposed by several HMC members for evaluating how successfully a RHNA methodology affirmatively furthers fair housing.<sup>9</sup> The proposal from these HMC members included two suggestions:

1. Identify exclusionary jurisdictions through a composite score based on the jurisdiction's divergence index score<sup>10</sup> and the percent of the jurisdiction's households above 120 percent of Area Median Income (AMI)
2. Ensure each jurisdiction identified as exclusionary using the composite score is allocated a share of the region's very low and low-income allocations at least proportional to its share of the region's total households in 2019

The composite score proposed for this metric identified 49 jurisdictions that meet the proposed criteria for racial and economic exclusion that is above the regional average. In addition to using this approach to evaluate methodology options, the HMC members proposed including an "equity adjustment" in the RHNA methodology: if the allocation of lower-income RHNA units for one of the 49 jurisdictions was not proportional to its share of households, then its lower-income allocation would be increased until it achieved proportionality.

At the September 4<sup>th</sup> meeting, committee members came to consensus to recommend that the HMC-proposed metric be added to the existing group of performance evaluation metrics related to affirmatively furthering fair housing. Additionally, the HMC recommended that staff explore whether to incorporate the equity adjustment proposed by HMC members in the RHNA methodology, which would impose a "floor" for the number of very low- and low-income units assigned to the 49 jurisdictions.

For each of these 49 jurisdictions identified as having above-average levels of racial and economic exclusion, **Appendix 5** includes a table showing the level of proportionality of its lower-income RHNA to its share of the region's existing households for each of the methodology options. If a cell in the table is highlighted in green, the jurisdiction receives an allocation of lower-income RHNA that is at least proportional to its share of the region's

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<sup>9</sup> See pages 5-11 of the [handout on public comment](#) for the proposal from HMC members. See the [handout about alternate metrics](#) for the results of staff's analysis using this proposed metric,

<sup>10</sup> Staff has used the divergence index throughout the RHNA methodology development process to measure racial segregation. The divergence index score is a calculation of how different a jurisdiction's racial demographics are from the region's demographics. If a jurisdiction has the same racial distribution as the region, the jurisdiction's divergence index is scored at 0. The more a jurisdiction's demographics diverge from the regional distribution, the higher the divergence index score. A high score does not necessarily indicate that the jurisdiction is racially homogenous, only that its demographic profile differs markedly from the region's racial demographics. Given the multitude of racial and ethnic groups in the Bay Area, [the Othering and Belonging Institute at UC Berkeley has identified the Divergence Index as the best measure of segregation in the region](#) in part because this measure captures segregation for multiple racial groups simultaneously.



households, while cells highlighted in red indicate that the jurisdiction's lower-income allocation is not proportional. For cells highlighted in red, the value in the cell indicates the number of lower-income units a jurisdiction needs to receive to make its lower-income allocation proportional to its share of households.

Appendix 5 indicates that, depending on the methodology option, approximately 1,800 to 3,700 lower-income units need to be redistributed to ensure all 49 jurisdictions identified by the composite score receive allocations of lower-income RHNA that are at least proportional to their share of the region's households. Since HCD assigns the Bay Area a fixed quantity of lower-income units, the proposed equity adjustment would require reducing the lower-income RHNA assigned to some jurisdictions and reassigning these units to jurisdictions whose allocations must be increased to meet the proportionality threshold.

Based on suggestions from HMC members at the September 4<sup>th</sup> meeting, the reassigned units would come from the 57 jurisdictions who are not identified as exclusionary according to the HMC-proposed composite score. If the HMC decides to use the equity adjustment, staff proposes that the allocations for the 57 jurisdictions would be reduced in proportion to their initial share of the region's lower-income RHNA. Staff suggests this method for the equity adjustment because it has an equitable impact on all jurisdictions from whom units are taken and would prevent any jurisdiction from having a disproportionately large reduction from its lower-income allocation. As all Bay Area jurisdictions greatly need additional affordable housing, staff wanted to ensure that no jurisdiction experienced too large of a reduction in its lower-income unit allocation.

### **Evaluating Methodology Options**

As noted previously, Housing Element Law requires that the RHNA methodology meet the five statutory objectives of RHNA and that it be consistent with the forecasted development pattern from Plan Bay Area 2050. Staff has assessed the six methodology options mentioned above for consistency with Plan Bay Area 2050 and for how well they address the required RHNA objectives.<sup>11</sup> This evaluation includes the additional metric (Metric 5d.1/5d.2) for evaluating how well the methodology affirmatively furthers fair, which the HMC came to consensus about using at the September 4<sup>th</sup> meeting.

### ***Consistency Between RHNA and Plan Bay Area 2050***

Staff's approach for evaluating the consistency between RHNA and Plan Bay Area 2050 is to compare the 8-year RHNA allocations to the 30-year housing growth from Plan Bay Area 2050 at the county and sub-county geographies used in the Plan. If the 8-year growth level from RHNA does not exceed the 30-year growth level at either of these geographic levels, then RHNA

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<sup>11</sup>View the agenda packet for the [August 28 HMC meeting](#) for more information about the process for developing the evaluation metrics.

and Plan Bay Area 2050 will be determined to be consistent. This approach provides the HMC some degree of flexibility, while still ensuring that near-to-medium term housing goals remain in alignment with the long-range housing vision in Plan Bay Area 2050. Staff evaluated the four methodologies using this approach and determined there are no consistency issues for any of the options as they are currently constructed.

### ***Performance Evaluation Results for Methodology Options***

**Appendix 6** shows the performance evaluation results for the four methodology options described in Table 1. Appendix 6 provides results for these methodology options with the proposed equity adjustment as well as for the unmodified allocations. However, the results remain largely unchanged when the equity adjustment is included since this proposed adjustment moves relatively few units across the region. Below is a summary describing which methodology options appear to most effectively further each of the five statutory objectives. The summary does not specify whether the option discussed includes the equity adjustment, as the equity adjustment appears to have minimal impact on performance on the metrics.

**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?*

- Metric 1a.1: Do jurisdictions with the most expensive housing costs receive a significant percentage of their RHNA *as lower-income units*?
- Metric 1a.2: Do jurisdictions with the most expensive housing costs receive a share of the region's housing need that is *at least proportional to their share of the region's households*?
- **Results: Option 6A** and **Option 5A** appear to perform best in furthering Objective 1. **Option 6A** assigns a slightly higher percentage of lower-income units to the 25 jurisdictions with the most expensive housing costs while both options perform similarly in assigning a share of the RHND that is greater than the jurisdictions' share of existing households.

**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?*

- Metric 2a: Do jurisdictions with the largest share of the region's jobs have the highest *growth rates* resulting from RHNA?
- Metric 2b: Do jurisdictions with the largest share of the region's Transit Priority Area acres have the highest *growth rates* resulting from RHNA?
- Metric 2c: Do jurisdictions whose residents drive the least have the highest *growth rates* resulting from RHNA?

- **Results:** All of the methodology options perform well on the metrics for Objective 2. However, **Option 7A** and **Option 8A** result in the highest growth rates for jurisdictions with the most access to jobs and transit and the lowest vehicle miles traveled (VMT) per resident.

**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?*

- Metric 3a.1: Do jurisdictions with the most low-wage workers per housing unit affordable to low-wage workers receive a significant percentage of their RHNA as *lower-income units*?
- Metric 3a.2: Do jurisdictions with the most low-wage workers per housing unit affordable to low-wage workers receive a share of the region's housing need that is *at least proportional to their share of the region's households*?
- **Results:** **Option 6A** and **Option 5A** appear to perform best in furthering Objective 3. **Option 7A** is the only option that does not assign the jurisdictions with the most imbalanced jobs-housing fit a larger share of their RHNA as lower-income units compared to other jurisdictions.

**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?*

- Metric 4: Do jurisdictions with the largest percentage of high-income residents receive a larger share of their RHNA as *lower-income units* than jurisdictions with the largest percentage of low-income residents?
- **Results:** **Option 6A** performs best on Objective 4. **Option 7A** is the only option that does not assign the jurisdictions with the largest percentage of high-income residents a larger share of their RHNA as lower-income units compared to jurisdictions with the largest percentage of low-income residents.

**Objective 5:** *Does the allocation affirmatively further fair housing?*

- Metric 5a.1: Do jurisdictions with the largest percentage of households living in High or Highest Resource tracts receive a significant percentage of their RHNA as *lower-income units*?
- Metric 5a.2: Do jurisdictions with the largest percentage of households living in High or Highest Resource tracts receive a share of the region's housing need that is *at least proportional to their share of the region's households*?

- Metric 5b: Do jurisdictions exhibiting racial and economic exclusion receive a share of the region's housing need that is *at least proportional to their share of the region's households*?
- Metric 5c: Do jurisdictions with the largest percentage of high-income residents receive a share of the region's housing need that is *at least proportional to their share of the region's households*?
- Metric 5d.1: Do jurisdictions with levels of racial and socioeconomic exclusion above the regional average receive a total share of the region's very low- and low-income housing need that is *at least proportional to their total share of the region's households*?
- Metric 5d.2: Does each jurisdiction exhibiting racial and socioeconomic exclusion above the regional average receive a share of the region's very low- and low-income housing need that is *at least proportional to its total share of the region's households*?
- **Results: Option 5A** and **Option 6A** consistently appear to perform best on the metrics related to Objective 5. **Option 6A** performs best on the newly added metrics related to allocating lower-income units to jurisdictions with above average levels of racial and socioeconomic exclusion (Metric 5d.1 and Metric 5d.2). As a group, the 49 jurisdictions identified by the composite score receive a share of lower-income units that is about 25 percent greater than their share of the region's households. Individually, 75 percent of the 49 jurisdictions receive lower-income allocations that are at least proportional to the jurisdiction's share of existing households (see Appendix 5 for details).

### Staff Recommendations

1. *The HMC should move forward with **Option 6A: Modified High Opportunity Areas** **Emphasis** because it appears to perform best across all metrics*

This option:

- Performs particularly well on metrics for Objective 1, Objective 3, Objective 4, and Objective 5.
- Achieves the best results overall on Objective 5 when considering both the share of lower-income units and the total unit allocations assigned to jurisdictions with the highest housing costs, jurisdictions with the most imbalanced jobs-housing fit, jurisdictions with the most access to resources, and jurisdictions with most high-income residents.
- Outperforms other methodology options on the new metric proposed by HMC members for Objective 5, with approximately 75 percent of jurisdictions identified as exhibiting above average racial and economic exclusion receiving an allocation of lower-income units that is at least proportional to its share of existing households.

For Objective 2, **Option 7A** and **Option 8A** performed best. However, these options were less effective than other options on the metrics for the rest of the RHNA objectives. On this objective, **Option 6A** outperforms **Option 5A**, with jurisdictions with the largest share of the region's jobs, jurisdictions with the most land near transit, and jurisdictions with the lowest VMT receiving allocations that result in average growth rates that are significantly higher than the growth rates for other jurisdictions in the region.

Therefore, **Option 6A** appears to most successfully further the statutory RHNA objectives and align with the HMC's guiding principles.

2. *Do not use the equity adjustment proposed by HMC members in the RHNA methodology.*

While staff agrees that the metric proposed by the HMC can be helpful when evaluating which methodology option most effectively furthers fair housing, staff recommends that the HMC should not use this metric to introduce an equity adjustment in the methodology, for the following reasons:

- **The proposed equity adjustment increases the complexity of the RHNA methodology for minimal impact on RHNA allocations.** The proposed equity adjustment would shift only 1 to 2 percent of the region's lower-income RHNA to the jurisdictions identified as exhibiting above average racial and socioeconomic exclusion. However, the underlying methodology for the composite score and adjustment approach is complicated and would make it more difficult for local policy makers and members of the public to understand the RHNA methodology.
- **The proposed equity adjustment redistributes lower-income units in ways that do not necessarily align with the HMC's policy priorities.** Appendix 5 shows that for **Option 6A** only 12 of the 49 jurisdictions identified by the composite score do not receive a proportional allocation of lower-income units. Of these 12, Pleasant Hill, Monte Sereno, and Livermore receive between 96 and 99 percent of a proportional allocation, so the equity adjustment makes a minimal difference in the allocations to these three jurisdictions. While this adjustment was proposed to direct more lower-income units toward jurisdictions exhibiting racial exclusion, 3 of the 12 jurisdictions have significant Black and Latinx populations: Hercules is 15 percent Black and 15 percent Latinx, Daly City is 24 percent Latinx, and Union City is 20 percent Latinx.<sup>12</sup> Another 5 of these 12 jurisdictions (Gilroy, Healdsburg, St. Helena, Unincorporated Napa County, and Windsor) are in more rural parts of the region with more limited access to jobs and resources. Moreover,

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<sup>12</sup> This demographic data comes from the most recently available information from [U.S. Census Bureau QuickFacts](#) (2019 estimates).

some of the jurisdictions among the group of 57 that would have their lower-income allocations reduced because of the equity adjustment are higher-cost cities with the most access to jobs, transit, and high opportunity areas, such as Mountain View and Walnut Creek.

- **Allocations for jurisdictions affected by the proposed equity adjustment would be based solely on demographic characteristics, rather than the other factors the HMC has incorporated into the RHNA methodology.** The equity adjustment does not take into account other factors that the HMC has emphasized when deciding how to allocate lower-income units, including access to opportunity and proximity to jobs. Therefore, the equity adjustment may ultimately impede the HMC's attempt to use policy-driven factors to allocate very low- and low-income units across the region in a way that increases access to opportunity for all households.