

ASSOCIATION
OF BAY AREA
GOVERNMENTS

Item 11a Attachment A

Bay Area Metro Center
375 Beale Street, Suite 700
San Francisco, CA 94105
415.820.7900
www.abag.ca.gov

Memorandum

TO: ABAG Housing and MTC Executive Committees

Date: October 15, 2020

FR: Executive Director

RE: Update on Bay Area Residential Building Permit Activity

Overview

This report is an informational presentation of local jurisdictions' building permit activity for the completed portion of RHNA Cycle 5 (2015-2023). The information presented is based on the Annual Progress Reports (APRs) submitted by local jurisdictions to the California Department of Housing and Community Development (HCD) and site-specific building permit information submitted by local jurisdictions to ABAG.

Housing permits increased steadily since the beginning of the cycle in 2015, when 20,495 units were permitted, to a peak of 30,404 units permitted in 2018. 2019 marked a turning point from the four-year continuous increase in permitting, with a 16% decline in building permits issued; 2019 data show building permit activity at slightly below 2017 permitting levels.

After five years of the eight-year RHNA cycle (63% completed), Bay Area jurisdictions are on target to meet the region's total 5th cycle Regional Housing Needs Determination (RHND) by issuing permits for 125,839 units, or sixty-seven percent of the total RHND. However, when disaggregated by income category, the data show that significant challenges remain for the region to meet the needs of lower-income and moderate-income households. Although the Bay Area has already issued building permits for 126% of the regional's market rate housing allocation for the eight-year cycle, building permits issued for housing affordable to very low-income (15%), low-income (25%), and moderate-income households (36%) are far off-pace from meeting regional production targets.

Background

Since 1969, California has required that all local governments adequately plan to meet the housing needs of everyone in the community. (Government Code Section 65400.) This is accomplished through the adoption of a Housing Element by every local jurisdiction, which is aligned with the Regional Housing Needs Assessment (RHNA) cycle and updated every eight years. A premise of California's Housing Element law is that for the market to adequately

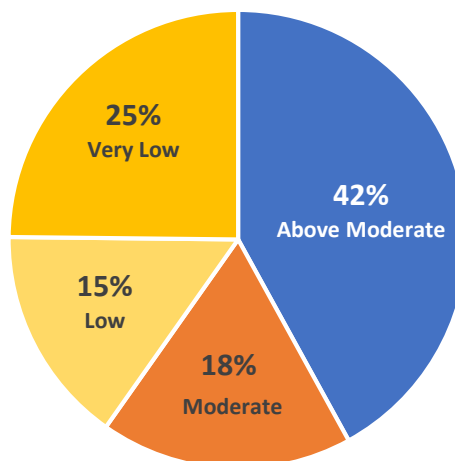
address the housing needs of all economic segments of society, local governments must adopt plans and regulatory systems that provide opportunities for a variety of housing development types. While local jurisdictions have limited control over how the market performs, they can implement policies and programs that encourage and support development of homes at all income levels.

Every eight years the state assigns each region a Regional Housing Needs Determination with specific targets for very low-, low-, moderate-, and above moderate-income level categories based on forecasted growth. The ABAG Executive Board is responsible for approving a methodology to divide the RHND into specific RHNA numbers for each jurisdiction, including targets for each income category. Local jurisdictions implement their RHNA through their Housing Elements, which have several statutorily required components: an assessment of housing need, a site inventory to ensure adequate land is zoned for the RHNA numbers, and a schedule of actions that will be taken to address any shortfalls. This schedule of actions includes rezoning of land and adoption of policies and programs that will advance housing goals. Existing zoning limitations do not exempt local jurisdictions from planning for their RHNA numbers. If jurisdictions do not have adequate sites under existing zoning, state law requires them to rezone to accommodate their RHNA numbers.

The 2015-2023 5th Cycle Regional Housing Needs Determination from HCD assigned the Bay Area a total of 187,990 units with the following income targets¹:

- 46,680 units (25%) affordable to very low-income households,
- 28,940 units (15%) affordable to low-income households,
- 33,420 units (18%) affordable to moderate-income households,
- 78,950 units (42%) for above moderate-income households.

Figure 1. ABAG Region 2015-2023 RHND, Income Categories as Percent of Total



¹ See Attachment D for state-approved income limits for each affordability category, as well as HUD Fair Market Rents.

The Annual Progress Reports are considered part of the Housing Element process in which local jurisdictions document their progress towards achieving their RHNA numbers by reporting total residential units for which building permits have been issued.

In 2015, ABAG staff began to conduct an annual survey of all Bay Area jurisdictions to collect data about the affordability, housing type, and parcel-specific location for every housing permit issued. This effort built upon the requirements of the state-mandated APRs, though ABAG staff took extra steps to obtain parcel-level data to evaluate the extent to which new housing is directed to Priority Development Areas (PDAs) and other transit-served locations, and whether new homes are developed on the opportunity sites identified in jurisdictions' Housing Elements.

ABAG's approach provided a model for refinements to the APR requirements in Senate Bill 35 (Wiener), which was signed into law as part of the 2017 Housing Package. The new data collection requirements that went into effect in 2018 due to SB 35 are significantly different than the annual point-in-time count that has occurred in the past. The new APRs track a project throughout the development process from application through entitlement, permitting and certificate of occupancy. Additionally, the new APRs track location data for each project at the parcel level. Considering HCD's enhanced data gathering through the new APRs, ABAG no longer issues a separate survey to local planning staff and instead is transitioning to use the APR data issued by HCD.

This change in data collection occurred mid-cycle for the 5th cycle of RHNA. The first year of the new data set published by HCD proved extremely challenging to integrate with the existing 2015-2017 database of building permit information collected previously by ABAG.

The development and launch of HCD's new database remain a work in progress, as HCD continues to formalize how it collects and reports building permit data. In the first year of the new APR requirements, over 90% of the APRs submitted by jurisdictions statewide were initially rejected by HCD as incomplete or incorrect. For ABAG/MTC, integration of the new HCD data involves data scrubbing to standardize how each property address is formatted, resolving differences in address abbreviation conventions, developing code to process each county assessor's distinct APN format, and implementing data protocols to manage ongoing updates over time. Staff are exploring potential options to automate the data integration and update process, as well as to track changes in the status of individual projects across the RHNA cycle. However, staff expect that data integration and quality challenges will continue through the remainder of the 2015- 2023 RHNA Cycle as local governments, HCD and MTC become familiar with the new reporting requirements and evolve existing data systems to accommodate the limitations and fully capture the potential of the new data sets.

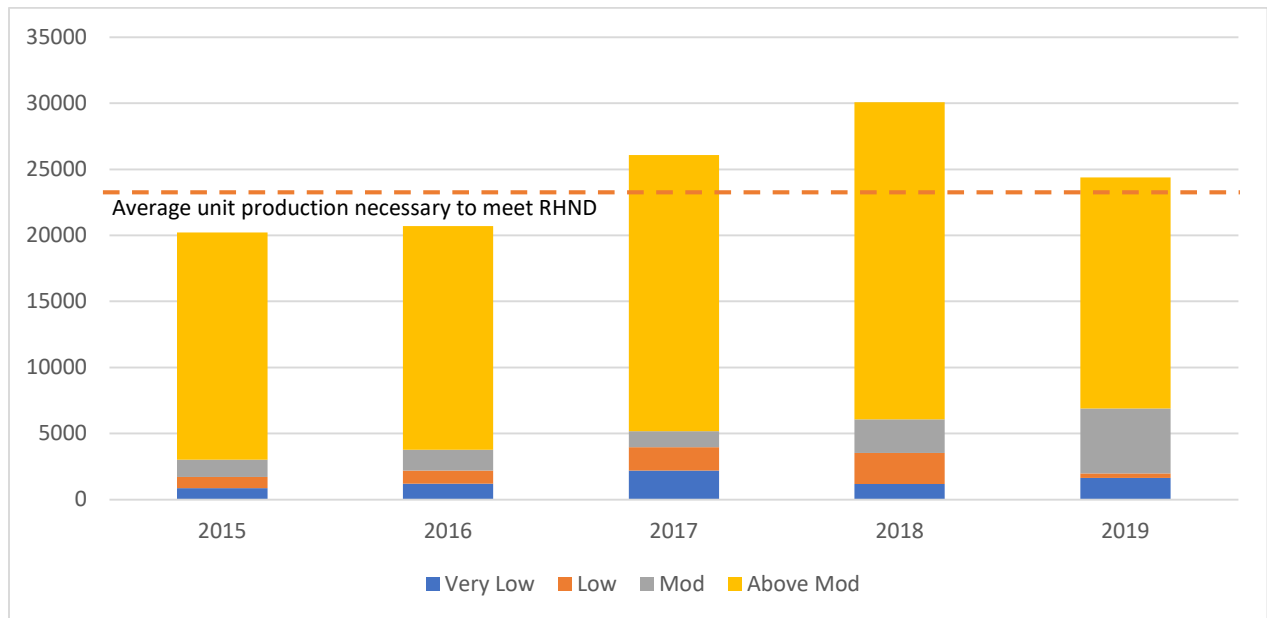
Regional Building Permit Activity 2015 – 2019

This building permit activity report is based on combined data reported to HCD through local jurisdictions APRs for 2018-2019 and the site-specific information collected by ABAG between 2015-2017. As a combination of state and regional data sources, this report does not represent the official tracking of progress in meeting RHNA goals for the purposes of SB 35. That

information is compiled by HCD. At this time, staff can provide a high-level analysis of building permits issued but not a spatial analysis due to ongoing efforts to resolve differences in between HCD and ABAG data.

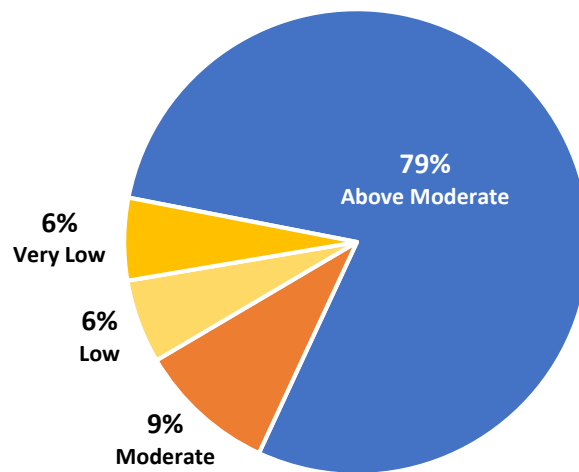
The 5th RHNA cycle is 63% complete, and cumulatively the region has issued building permits for 67% (125,839 units) of its total RHND of 187,990.

Figure 2. Total Building Permits Issued 2015-2019, by Year



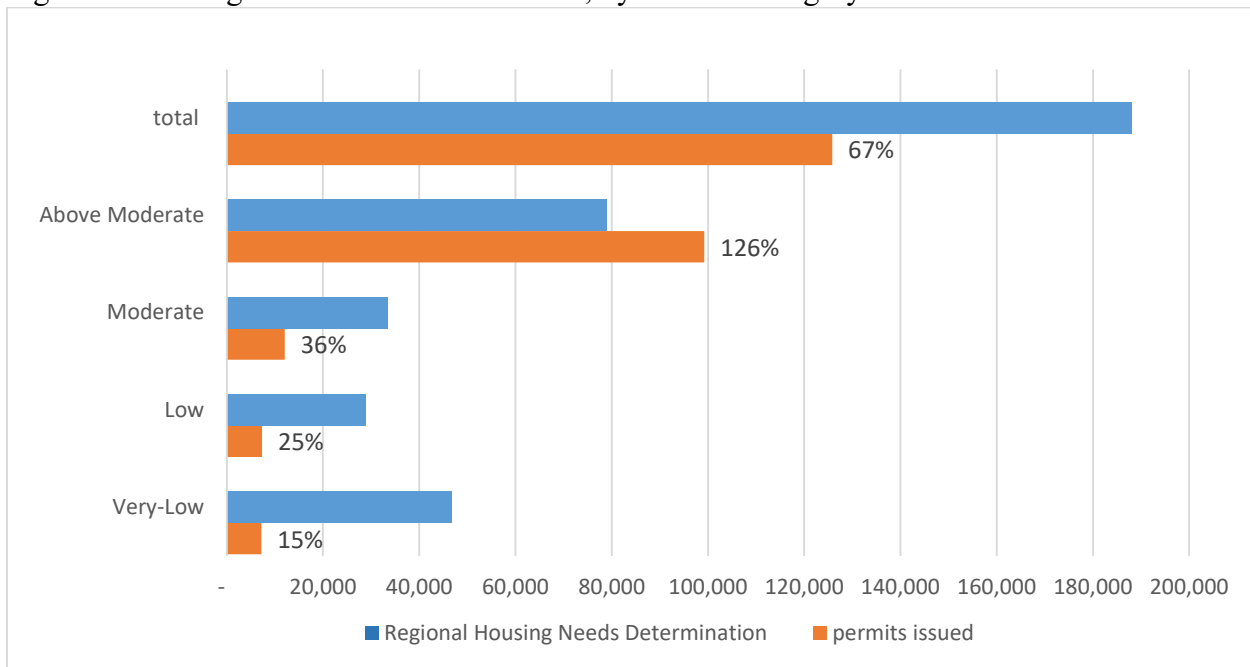
Disaggregating the building permit data by income-category presents a more complex picture of the region's progress towards meeting our housing needs. The region has already permitted 126% of the above moderate-income housing determination, only five years into the eight-year cycle. In contrast, the region is off-target for all other income levels, ranging from 0 to 120% of Area Median Income. Bay Area jurisdictions have issued building permits for 36% of the moderate-income housing units needed, 25% of low-income units, and only 15% of units affordable to the very low-income residents of the region, who are most vulnerable to being forced into homelessness.

Figure 3. Building Permits Issued 2015-2019, Income Categories as Percent of Total



Almost 80% of all units permitted since 2015 have been for above moderate-income households, with only 12% for low and very low-income families combined, and 9% for moderate income households. Although on track to meet the total RHND, the building permit activity from 2015-2019 reflects a very different balance of housing affordability levels than was assigned through the RHND (see Figure 1.).

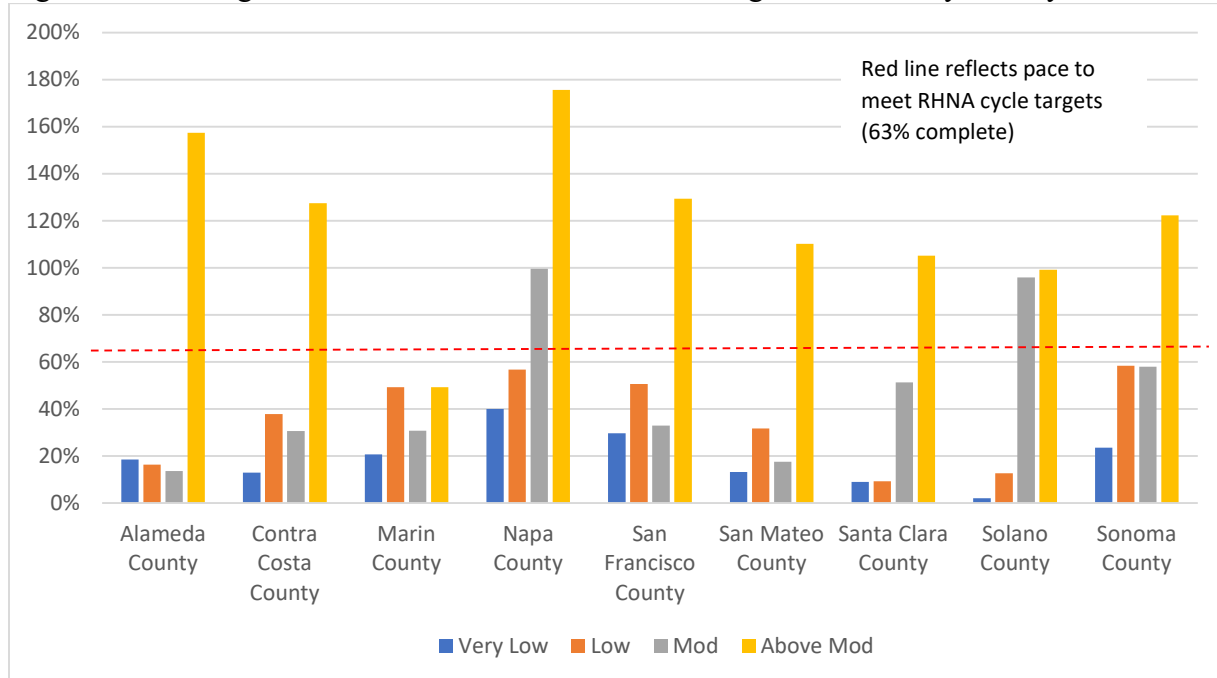
Figure 4. Building Permits Issued 2015-2019, by Income Category Relative to RHND



Local Building Permit Activity

While there is some variation across counties, generally county-level building permit data reflects the regional trends. Eight of the nine counties have issued building permits for nearly 100% or more for their above-moderate income housing needs after only five years of the eight-year RHNA cycle. All counties are below 50% in meeting the combined low- and very low-income housing needs of their communities. Additionally, five counties have permitted less than 35% of their moderate-income housing needs.

Figure 4: Building Permits Issued 2015-2019 as Percentage of RHNA, by County



Housing Types

Sixty-seven percent of the units permitted since 2015 are multi-family projects of five units or more. Only 22% of the permits issued from 2015-2019 are for single family, detached homes. While making up only 5% of all units permitted during this reporting period, the number of building permits issued for second units or accessory dwelling units (ADUs) has increased steadily from 2017 to present. Notably, while there was a 16% decrease in all housing permitted between 2018 and 2019, there was a 33% *increase* in ADUs permitted – likely related to a series of recent state legislative changes to facilitate ADU construction.

- Attachments:
- B. 2015-2019 Building Permit Activity Summary Spreadsheet
 - C. California Income Limits and HUD Fair Market Rents
 - D. Supplemental Figures for 2018 and 2019 Permits, By County
 - E. Presentation