

REGIONAL HOUSING NEEDS ALLOCATION



TO: ABAG Executive Board

DATE: October 15, 2020

FR: Executive Director

RE: Recommendation for Proposed RHNA Methodology

Overview

The Regional Housing Needs Allocation (RHNA) is the state-mandated¹ process to identify the share of the statewide housing need for which each community must plan. ABAG is responsible for developing 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)² to every local government in the Bay Area. The allocation methodology is a formula that quantifies the number of housing units, separated into four income categories,³ that will be assigned to each city, town, and county. 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. The allocation must meet the statutory objectives identified in Housing Element Law⁴ and be consistent with the forecasted development pattern from Plan Bay Area 2050.⁵

Housing Methodology Committee Process for Developing the RHNA Methodology

ABAG convened an ad hoc [Housing Methodology Committee](#) (HMC) that met 12 times from October 2019 to September 2020 to advise staff on the RHNA methodology. Over the past year, the HMC discussed how to develop a methodology that advances the RHNA objectives required by statute and is consistent with Plan Bay Area 2050. The HMC included local elected officials and staff representing jurisdictions in every Bay Area county as well as regional stakeholders to facilitate sharing of diverse viewpoints across multiple sectors.⁶

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:

1. More housing should go to jurisdictions with more jobs than housing and to communities exhibiting racial and economic exclusion

¹ See California [Government Code Section 65584](#).

² In a [letter dated June 9, 2020](#), HCD provided ABAG with a total RHND of 441,176 units for the 2023-2031 RHNA.

³ 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

⁴ See [California Government Code Section 65584\(d\)](#).

⁵ See [Government Code Section 65584.04\(m\)\(1\)](#).

⁶ The HMC roster is available at https://abag.ca.gov/sites/default/files/hmc_roster_06_16_2020_0.pdf.

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 it

At its August 13th meeting, the HMC came to consensus to move forward with using **2050 Households from the Plan Bay Area 2050 Blueprint** as the baseline allocation and the **Bottom-Up** income allocation approach as the foundation for the RHNA methodology. At subsequent meetings, the HMC discussed different combinations of factors and weights that best complemented this foundation to allocate RHNA units in an equitable manner. The concepts of “baseline allocation” and “income allocation approach” are explained further below.

HMC and RPC Recommendation for Proposed RHNA Methodology

At the meeting on September 18th, the HMC considered several potential methodology options they had identified for further discussion at the September 4th meeting.⁷ These remaining options were all consistent with the HMC’s guiding principles in that they emphasize the *Access to High Opportunity Areas* factor and factors related to jobs. They also resulted in relatively similar patterns for how RHNA units would be distributed throughout the region, with most units allocated to San Francisco, San Jose, and Oakland as well as other jurisdictions in Silicon Valley – demonstrating the impact of using the Plan Bay Area 2050 Blueprint as the baseline allocation. **Appendix 1** includes maps that show the distribution of RHNA units to Bay Area jurisdictions resulting from the proposed RHNA methodology. **Appendix 2** shows the illustrative allocations that jurisdictions would receive from the proposed methodology.

After substantial discussion, the HMC voted 27 to 4 to recommend **Option 8A: High Opportunity Areas Emphasis & Job Proximity** as the proposed methodology to the ABAG Regional Planning Committee (RPC) and Executive Board. On October 1st, the RPC voted 16 to 8 to recommend this methodology for approval by the Executive Board.

There are three primary components to the proposed RHNA methodology as shown in **Figure 1**.⁸

⁷ View the agenda packet for the [September 18th HMC](#) meeting for more information.

⁸ View the presentation from the [June 2020 HMC meeting](#) for an overview of the building blocks of the RHNA methodology.

1. Baseline allocation: 2050 Households (Blueprint)

The baseline allocation is used to assign each jurisdiction a beginning share of the RHND. The baseline allocation is based on each jurisdiction's share of the region's total households in the year 2050 from the [Plan Bay Area 2050 Blueprint](#).⁹ Using the 2050 Households (Blueprint) baseline 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.

At HMC meetings in July and August, HMC members expressed concerns about using Plan Bay Area forecasted housing growth as the baseline due to the Blueprint's emphasis on focused growth, particularly in the South Bay. While the HMC did support incorporating Plan Bay Area 2050 in the RHNA methodology, committee members expressed a desire to distribute growth more evenly throughout the region. In an attempt to balance the different perspectives from HMC members about using the Blueprint in the methodology, staff developed the 2050 Households (Blueprint) baseline in order to include the Plan Bay Area 2050 Blueprint but also temper the forecasted development pattern to ensure the methodology affirmatively furthers fair housing in all communities.

At the August 13th HMC meeting, the HMC did not recommend using the forecasted housing growth from the Blueprint as the baseline allocation, but HMC members did come to consensus to recommend using the 2050 Households (Blueprint) baseline. The HMC preferred using 2050 Households (Blueprint) as the baseline because it provides a middle ground between using a baseline based on the current number of households (2019 Households) and a baseline based on forecasted housing growth from the Blueprint.

Note: The ABAG Executive Board and MTC Commission adopted changes to the strategies for the Plan Bay Area 2050 Final Blueprint in September 2020. The changes adopted at that time could affect information about total households in Year 2050 from the Final Blueprint, which will be available in December 2020. As this information from the Blueprint is used as the baseline allocation for the proposed RHNA methodology, changes to the Blueprint could lead to changes in the allocations that result from the RHNA methodology.

2. Income allocation approach: Bottom-Up

With the Bottom-Up income allocation approach, the methodology includes one set of factors and weights for allocating very low- and low-income units and a second set of factors and weights for allocating moderate- and above-moderate units. The number of units allocated to each jurisdiction using these two formulas are added together to determine that jurisdiction's total allocation.

⁹ Plan Bay Area 2050 is the Regional Transportation Plan/Sustainable Communities Strategy for the Bay Area.

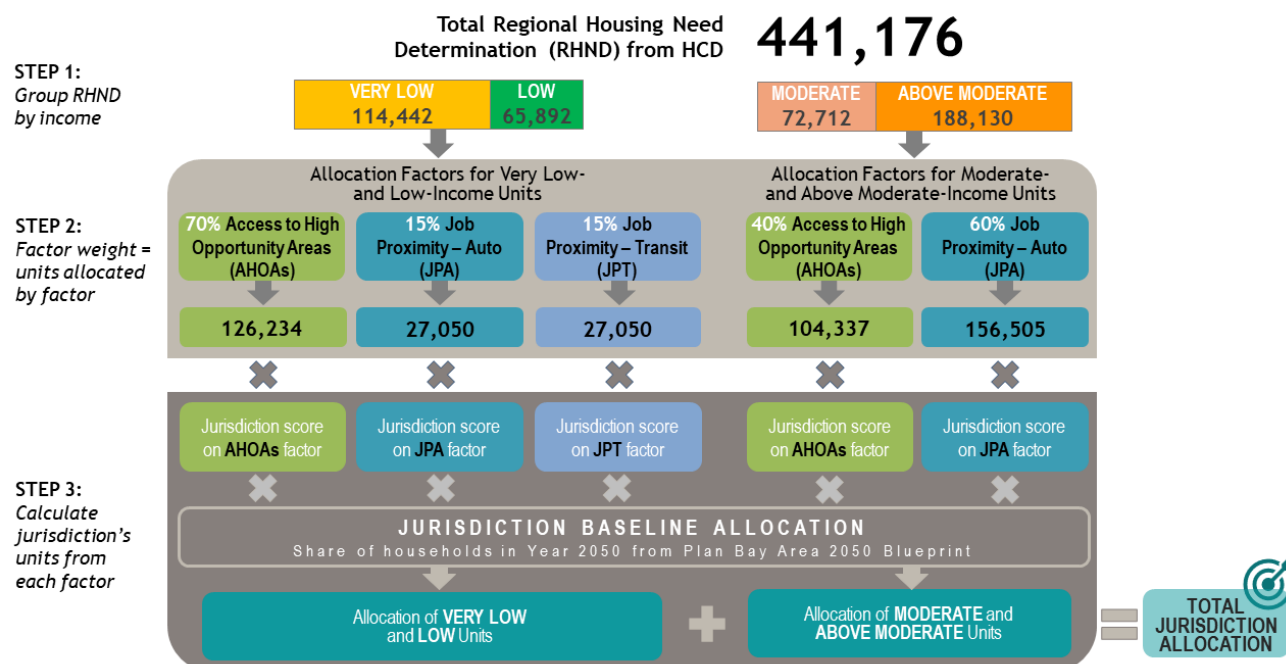
3. Factors and weights for allocating units by income category:

Table 1: Factors and Weights for Proposed RHNA Methodology			
Very Low and Low Units		Moderate and Above Moderate Units	
70%	Access to High Opportunity Areas	40%	Access to High Opportunity Areas
15%	Job Proximity – Auto	60%	Job Proximity – Auto
15%	Job Proximity – Transit		

The factors and weights 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.

Table 1 above shows the factors and weights the HMC selected for the proposed RHNA methodology. Each factor represents data related to the methodology's policy priorities: access to high opportunity areas and proximity to jobs. A factor's effect on a jurisdiction's allocation depends on how the jurisdiction scores on the factor relative to other jurisdictions in the region. The weight assigned to each factor (i.e., the percentages shown in Table 1 above) represents the factor's relative importance in the overall allocation. The weight determines the share of the region's housing need that will be assigned by that particular factor. **Appendix 3** provides more information on the factors listed in Table 1 and the data used to calculate them.

Figure 1: Proposed RHNA Methodology Overview



HMC Final Discussion of Methodology Options

The following is a summary of some of the key topics discussed by the HMC at the September 18th meeting prior to its vote on the recommendation for the proposed RHNA methodology:

Equity Adjustment to Lower-Income Allocations

The HMC considered a potential “equity adjustment” proposed by several HMC members. This proposal would impose a “floor” for the number of very low- and low-income units assigned to 49 jurisdictions identified as exhibiting above-average racial and economic exclusion based on a method suggested by these HMC members.¹⁰ The HMC decided not to move forward with this proposal because it added to the complexity of the proposed RHNA methodology with only minimal impacts on the resulting allocations.

Baseline Allocation

The HMC revisited the question of using 2019 Households as the baseline allocation instead of 2050 Households (Blueprint). However, there was broad agreement that incorporating the Blueprint into the RHNA methodology was important to ensure the RHNA allocation advanced both the equity and sustainability outcomes identified in Plan Bay Area 2050—particularly those related to greenhouse gas emissions reductions. Several HMC members also reiterated the fact that using 2050 Households (Blueprint) represents a compromise between using 2019 Households as the baseline and using the forecasted growth from the Blueprint as the baseline. A few HMC members also suggested revisiting a baseline option based solely on the forecasted growth pattern from the Blueprint, but the majority of the HMC did not want to pursue this option.

Natural Hazards

Including the Blueprint in the RHNA methodology also addresses concerns about natural hazards. While there is understandably considerable concern among committee members about ensuring Bay Area communities grow in ways that will minimize their potential risks from natural hazards—particularly wildfires—HMC members did not support adding a hazards-related factor to the methodology. The issue of wildfire risk is specifically addressed in the Plan Bay Area 2050 Blueprint, which is used as the baseline allocation for the RHNA methodology. The Blueprint does not focus additional growth in areas with high wildfire risks. Local governments will have the opportunity to consider the most appropriate places for planning for housing in lower-risk areas when they update the Housing Elements of their General Plans.

Increased Emphasis on Job-Related Factors

Several HMC members expressed concerns that the remaining methodology options under discussion did not give enough weight to job-related factors, and thus were not sufficiently

¹⁰ See [this handout from the September 4th HMC meeting packet](#) for more information about this proposal.

aligned with Plan Bay Area 2050. This led to a request to revisit an earlier option that reduced the influence of the *Access to High Opportunity Areas* factor and instead focused primarily on jobs-related factors—particularly job proximity.

Other HMC members pointed out that the forecasted development pattern in the Plan Bay Area 2050 Blueprint already emphasizes growth near job centers and transit-served locations, and that ensuring that every community in the Bay Area receives its “fair share” of the region’s housing need should be the priority for the RHNA methodology. These committee members noted that there are some jobs in communities throughout the region, and that encouraging more housing in these areas – even if they are not near transit – could help enable shorter commutes and reduce greenhouse gas emissions.

Ultimately, HMC members moved forward with Option 8A as a compromise option that retains an emphasis on allocating units – particularly lower-income units – to high-resource areas while also focusing on allocating units in all income categories to jurisdictions where a significant number of the region’s jobs are accessible by a 30-minute automobile commute or a 45-minute transit commute. As a result of differences in how units are distributed across income categories in the RHND, the proposed RHNA methodology allocates 48 percent of all units based on the factors related to job proximity. Additionally, the 25 jurisdictions with the largest allocations receive 72 percent of all RHNA units.

Unincorporated Areas

Lastly, some HMC members continued to raise concerns about the relatively high allocations that some unincorporated areas would experience. These allocations are driven, in part, by the number of existing households in unincorporated county areas, since the number of existing households is captured in the 2050 Households (Blueprint) baseline. 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).¹¹

ABAG/MTC staff has engaged in dialogue with local government staff in counties that have expressed concern about their potential RHNA allocations (Solano, Sonoma, and Santa Clara Counties) to propose that growth assigned to the sphere of influence in the Plan be assigned to the respective cities’ RHNA allocation, rather than the unincorporated county. ABAG/MTC staff is also coordinating with HCD to ensure that any proposed change in how responsibility for RHNA units is shared among cities and the unincorporated county would still further the RHNA objectives. ABAG/MTC staff is continuing these conversations despite the lack of consensus between cities and counties at this time. If affected jurisdictions can come to agreement,

¹¹ Visit the CALAFCO website for more information about [spheres of influence](#).

changes could be integrated into the draft RHNA methodology to be released by December 2020. 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.¹²

Proposed RHNA Methodology Performance Evaluation

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. ABAG/MTC staff developed a set of performance evaluation metrics that provided feedback to HMC members about how well methodology options addressed the five statutory objectives for RHNA and furthered regional planning goals.

Each metric corresponds to one of the five RHNA statutory objectives and the metrics selected were primarily based on the analysis conducted by HCD in evaluating the RHNA methodologies completed by other regions in California.¹³ **Appendix 4** describes the evaluation metrics in more detail and demonstrates that Option 8A performs well in advancing the five statutory objectives of RHNA.

ABAG/MTC staff also developed a framework for evaluating consistency between RHNA and Plan Bay Area 2050. This approach compares 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 and Plan Bay Area 2050 will be determined to be consistent. Staff evaluated the proposed RHNA methodology using this approach and determined there are no consistency issues.

Alternate Proposals from Some RPC and HMC Members

As noted previously, on October 1st, the RPC voted 16 to 8 to recommend Option 8A with the 2050 Households (Blueprint) baseline as the proposed RHNA methodology for approval by the Executive Board. However, some members of the RPC and HMC requested that other potential options that had been discussed by the HMC but not recommended to the RPC for consideration be brought forward to the Executive Board. These proposals include:

- **2015-2050 Growth (Blueprint) Baseline with Option 8A Factors/Weights:** this option uses the same factors and weights as the proposed RHNA methodology recommended by the HMC and RPC, but incorporates household growth from the Plan Bay Area 2050 Blueprint instead of 2050 Households as the baseline allocation. This change to the baseline results in a significantly different pattern of RHNA allocations compared to the recommended proposed methodology. As noted earlier, the HMC considered using

¹² [Government Code Section 65584.07](#).

¹³ For letters HCD sent to other regions, see [this document](#) from the January 2020 HMC meeting agenda packet.

housing growth from the Blueprint as the baseline allocation and chose not to move forward with that option.

- **Option 6A: Modified High Opportunity Areas Emphasis with equity adjustment:** this option includes the factors and weights shown in **Table 2** and uses 2050 Households (Blueprint) as the baseline allocation. This proposal also includes the “equity adjustment” that, as mentioned previously, the HMC opted not to include in the proposed methodology (see page 4). Additionally, although ABAG/MTC staff recommended Option 6A as the proposed methodology at the September 18th HMC meeting, the HMC chose Option 8A as a compromise recommendation that better reflected the diverse viewpoints of the committee.

Table 2: Factors and Weights for Option 6A	
Very Low and Low Units	Moderate and Above Moderate Units
70% Access to High Opportunity Areas	40% Access to High Opportunity Areas
30% Jobs-Housing Fit	60% Job Proximity – Auto

Appendix 5 provides more information about these alternate proposals.

Requested Action

The ABAG Executive Board is requested to approve Option 8A: High Opportunity Areas Emphasis & Job Proximity with the 2050 Households (Blueprint) baseline allocation as the proposed RHNA methodology, as recommended by the Housing Methodology Committee and Regional Planning Committee.

Next Steps

Upon approval by the Executive Board, the proposed RHNA methodology will be released for public comment, including a public hearing to be held in November 2020. In early December 2020, the Plan Bay Area 2050 Final Blueprint data for the 2050 Household baseline is anticipated to become available. The RPC and Executive Board will then weigh in on public feedback as well as updates made to integrate the Final Blueprint data. Approval and submittal of the Draft RHNA Methodology to HCD is expected by the end of 2020.