REGIONAL HOUSING NEEDS ALLOCATION

Association of Bay Area Governments

TO: ABAG Executive Board   DATE: January 21, 2021

FR: Executive Director

RE: <u>Draft RHNA Methodology & Final Subregional Shares</u>

Overview

The Regional Housing Needs Allocation (RHNA) is the state-mandated[1] process to identify the share of the statewide housing need for which each community must plan. As the Council of Governments (COG) for the Bay Area, the Association of Bay Area Governments (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 RHNA 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 in the region. The allocation must meet the statutory objectives identified in Housing Element Law[4] and be consistent with the forecasted development pattern from Plan Bay Area 2050.[5] 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.

How was the Draft RHNA Methodology for the 2023-2031 RHNA Cycle developed?

ABAG convened an ad hoc [Housing Methodology Committee](#) (HMC) from October 2019 to September 2020 to advise staff on the methodology for allocating a share of the region's total housing need to every local government in the Bay Area. The HMC included local elected officials and staff as well as regional stakeholders to facilitate sharing of diverse viewpoints across multiple sectors.[6] At its final meeting on September 18, the HMC voted to recommend ***Option 8A: High Opportunity Areas Emphasis & Job Proximity*** with the 2050 Households baseline allocation as the Proposed RHNA Methodology. On October 1, the ABAG Regional Planning Committee voted to recommend this methodology for approval by the Executive Board, and the Board approved its release as the Proposed RHNA Methodology for public comment on October 15, 2020. Materials related to the Proposed RHNA Methodology have been posted on ABAG's website since October 24.

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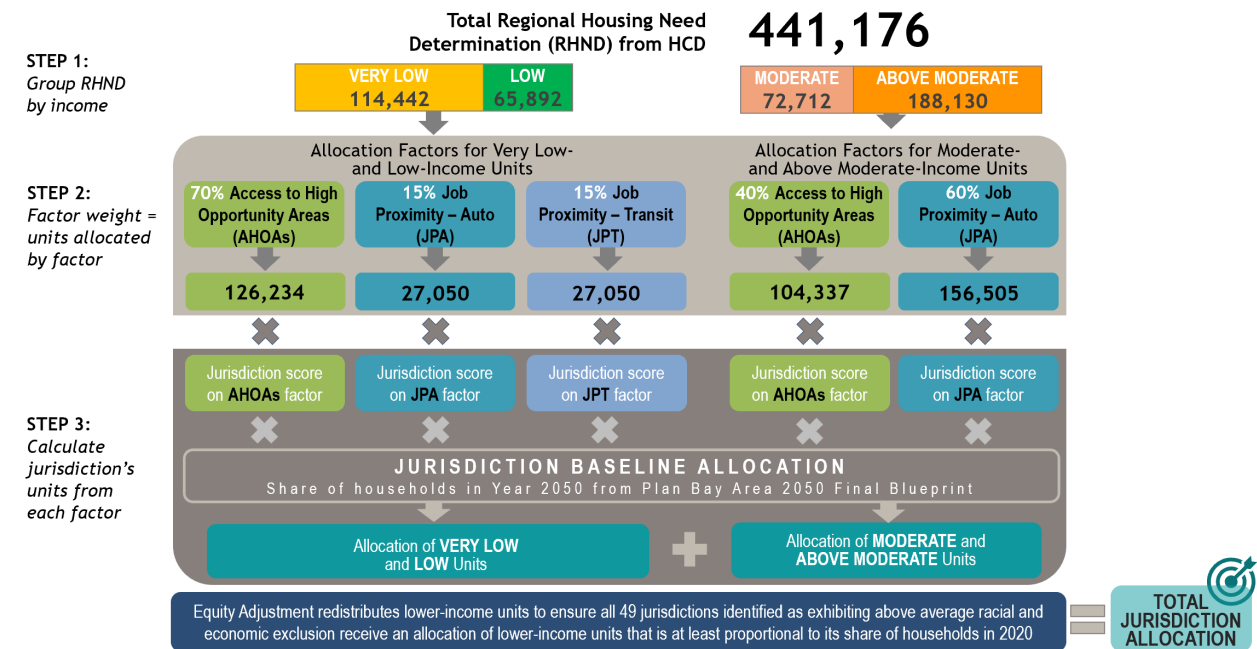
[5] See [Government Code Section 65584.04(m)(1).](#)

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

As required by law, ABAG held a public comment period from October 25 to November 27 and conducted a public hearing at the November 12 meeting of the ABAG Regional Planning Committee. ABAG heard 29 oral comments and received 106 written comments on the Proposed Methodology during the public comment period. These comments provided perspectives from over 200 local government staff and elected officials, advocacy organizations, and members of the public, as some letters represented multiple signatories.[7]

What is the Draft RHNA Methodology for the 2023-2031 RHNA Cycle?

ABAG-MTC staff considered the comments received during the public comment period and is not proposing to make any adjustments to the baseline allocation or factors and weights in the Draft RHNA Methodology. The components of the Draft RHNA Methodology are the same as the Proposed RHNA Methodology (**Figure 1**). However, the Draft RHNA Methodology incorporates future year 2050 households data generated from the Plan Bay Area 2050 Final Blueprint. In the Proposed Methodology, the illustrative allocations reflected baseline data on 2050 households from the Plan Bay Area 2050 Draft Blueprint, with updates slated throughout fall 2020 to reflect the revised Strategies and Growth Geographies approved by the ABAG Executive Board and Commission in September 2020 for the Final Blueprint. Integrating the updated data about future year 2050 households from the Final Blueprint into the Draft RHNA Methodology results in changes to the illustrative allocations to local jurisdictions. A detailed description of the Draft RHNA Methodology is available in **Attachment B**, Draft RHNA Methodology Report.

Figure 1: Proposed RHNA Methodology Overview

How do the results from the Draft RHNA Methodology compare to those from the Proposed RHNA Methodology?

As noted above, the Draft RHNA Methodology uses data from the Plan Bay Area 2050 Final Blueprint. Whereas the Plan Bay Area 2050 Draft Blueprint featured 25 strategies that influenced the location of future growth, the Final Blueprint features 35 revised strategies adopted by the ABAG Executive Board and Commission in fall 2020. These strategies shift the regional growth pattern, with generally small to moderate impacts on RHNA allocations.

Integrating the updated data about future year 2050 households from the Final Blueprint into the Draft RHNA Methodology addresses many of the public comments received. Using the Blueprint as the baseline allocation in the RHNA methodology was always a key element in ensuring the RHNA methodology supports the Plan's strategies to reduce greenhouse gas emissions and in addressing risks from natural hazards. The updated data from the Final Blueprint supports increased greenhouse gas emission reductions by directing more household growth to transit-rich, high resource places. The Final Blueprint also includes updated baseline data based on consultation with local jurisdictions in summer and fall 2020 that helped reduce the allocations to some unincorporated areas.

The maps in **Appendix 1** show how incorporating the Final Blueprint into the Draft RHNA Methodology affects each jurisdiction's illustrative growth rate and total allocation and **Appendix 2** shows the illustrative allocations for each jurisdiction. ***Note:*** *the allocation results for jurisdictions are only illustrative. Local governments will receive their final allocations in late 2021.*

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. Working with the HMC, ABAG-MTC staff developed a set of performance metrics to evaluate how well a methodology does in meeting the RHNA objectives. Evaluation of the Draft RHNA Methodology shows that it furthers all of the RHNA objectives. **Appendix 3** compares the results for the Draft RHNA Methodology and Proposed RHNA Methodology.

ABAG-MTC staff also developed a framework for evaluating consistency between RHNA and Plan Bay Area 2050. RHNA and Plan Bay Area 2050 are determined to be consistent if the 8-year growth level from RHNA does not exceed the 35-year growth level at the county and sub-county geographies used in the Plan. Staff evaluated the Draft RHNA Methodology using this approach and determined that RHNA and Plan Bay Area 2050 remain consistent.[8]

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[8] The Draft RHNA Methodology and Plan Bay Area 2050 are consistent for all nine counties and in 33 of 34 superdistricts (i.e., sub-county areas) using the methodology developed during the HMC process. In the one superdistrict flagged during the consistency check, the Final Blueprint reflects the loss of more than 1,000 homes in wildfires since 2015. Anticipated reconstruction of these units during the RHNA period does not yield significant net growth in housing units, making these allocations consistent with the Final Blueprint long-range projections.

RPC Recommendation for Adding "Equity Adjustment" Proposed by HMC Members

At its meeting on January 14, the RPC voted to recommend that the ABAG Executive Board adopt the Draft RHNA Methodology with the addition of the "equity adjustment" that was developed and proposed by several HMC members during their deliberations last fall. The equity adjustment uses a composite score proposed by the HMC members that identifies jurisdictions exhibiting racial and economic exclusion based on the jurisdiction's divergence index score[9] and the percent of the jurisdiction's households above 120 percent of Area Median Income (AMI). The equity adjustment requires that all of the 49 jurisdictions identified using this composite score receive an allocation of very low- and low-income units that is at least proportional to its share of the region's total households in 2020. This means that to have a proportional allocation, a city with 2 percent of existing households would also get 2 percent of the allocation of very low- and low-income RHNA units.

Appendix 4 shows the effects of the equity adjustment on each jurisdiction's allocation of lower-income units.[10] Eighteen of the 49 jurisdictions identified as exhibiting racial and economic exclusion (those in Group 1 in Appendix 4) will see their lower-income allocations (and thus total allocations) increased. Thirty-one of the 49 jurisdictions (those in Group 2) will not see any change in their allocations, since the Draft RHNA Methodology already allocated them a share of lower-income units that is at least proportional to their share of existing households. The other 60 jurisdictions in the region will see their lower-income allocations (and thus their total allocations) reduced as units are shifted from them to the jurisdictions in Group 1. **Appendix 3** includes a comparison of the allocations by income category for the Draft RHNA Methodology with and without the equity adjustment.

Final Subregional Shares

Housing Element Law allows two or more neighboring jurisdictions to form a "subregion" to conduct a parallel RHNA process to allocate the subregion's housing need among its members.[11] ABAG must assign each subregion a share of the Bay Area's RHND, which represents the total number of units, by income category, the subregion must allocate to its member jurisdictions. The ABAG Executive Board approved the release of Draft Subregional Shares for

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[9] 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.

[10] Data for the Equity Adjustment has been updated since the HMC's deliberations last summer and fall to reflect the Final Blueprint's integration into the RHNA methodology and to update baseline conditions from year 2019 to year 2020 data.

[11] Government Code Section 65584.03.

public comment on October 15, 2020. ABAG received no comments on the Draft Subregional Shares during the public comment period. The Final Subregional Shares have been updated based on the integration of the Final Blueprint into the Draft RHNA Methodology. **Appendix 5** provides more details about the Final Subregional Shares.

RHNA Next Steps
The ABAG Executive Board is slated to take action on the Draft RHNA Methodology and Final Subregional Shares at the January 21, 2021 meeting. After a Draft RHNA Methodology is adopted by the Executive Board, ABAG will submit the methodology to HCD for review and then use the State's feedback to develop a final methodology and draft RHNA allocation in spring 2021. Release of the draft allocation will be followed by an appeals period starting in summer 2021, with the final RHNA allocation assigned to each of the Bay Area's local governments in late 2021.