Chapter II

Housing Needs Determinations

Regional Housing Needs Determination
Association of Bay Area Governments

A. Statutory Requirements

California government code section 65584(a) requires ABAG to distribute the state identified regional housing need allocation to each jurisdiction within the Bay Area region. This section of the code contains a set of guidelines that ABAG must follow when developing the methodology to distribute the state identified regional housing need allocation. These guidelines include two principle components, which are: (1) A region-wide share of the state's Housing Unit goals- determined by HCD, and (2) planning considerations that the methodology must incorporate when determining the distribution of need each jurisdiction in the region will receive.

Methodology Requirements

Region-Wide Share of State Housing Unit Goals

HCD is the state agency responsible for determining the San Francisco Bay Area's region wide share of the estimated statewide housing need for the period of January 1999 through December 2006. The regional numbers supplied by HCD are "goal numbers," and often exceed anticipated growth in housing units cities and counties expect. The methodology used to determine the statewide need, and each region's share of that need, incorporates factors such as vacancy rates, potential growth rates (population, jobs, household formation rates) and demolition of existing housing stock. Both existing and projected need is included in the State's projection of housing need.

ABAG's share of the statewide housing need is provided in the form of a regional allocation of units (230,743) which is divided by income distribution (very-low, low, moderate and above-moderate). ABAG is required to distribute this number to Bay Area jurisdictions based upon a methodology which is developed independent of the one used by HCD to determine statewide housing goals.

Each city and county in the ABAG region must plan for the level of growth assigned by this process, in the update of their respective General Plan Housing Elements.

Guidelines and Planning Considerations

It is ABAG's responsibility to determine the share of the state identified housing need for each city and county within the Bay Area region. That share includes the housing needs of persons at all income levels within the area significantly affected by a general plan of the city or county. This determination must take into account the following planning considerations:

- Market demand for housing
- Employment opportunities
- Availability of suitable sites and public facilities
- Commuting patterns
- Type and tenure of housing need
- Loss of units contained in assisted housing developments, that changed to non-low-income use
- Special Needs Housing requirements

The government code also requires that the distribution of regional housing needs "…seek to reduce the concentration of lower income households in cities or counties which already have disproportionately high proportions of low income households."

The creation of the methodology is essentially ABAG's responsibility, working in coordination with HCD. ABAG is required to provide HCD, along with each city and county in the region, data describing the assumptions and methodology used in calculating the shares of regional housing need. Once ABAG has determined each city and county's share of the regional housing need, HCD may revise the determination to maintain consistency with the statewide housing need. HCD has reviewed and accepted ABAG's RHND program and methodology without comment.

The following section describes the assumptions and methods used by ABAG to meet the statutory requirements defined by the state.

Market Demand for Housing

State law requires that an assessment of the region's housing market be performed when conducting the RHND analysis. This information can best be analyzed and presented locally in each jurisdictions updated housing element. ABAG has relied on the *Projections 2000* forecasts for **population**, **employment** and **households** to determine the RHND allocations for each jurisdiction. The realized demand for housing can be ascertained by analyzing growth projections contained in the *Projections 2000* document. ABAG's forecast considers fertility rates, births, deaths, migration, household size and labor force participation rates, as well as local jurisdictional input, all of which dramatically affects the rate of household formation, and subsequently the housing need associated with this growth.

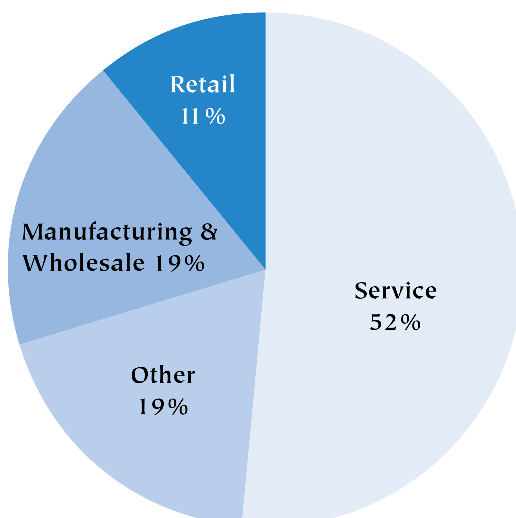
The region's current housing stock will have to increase substantially to meet the future housing needs of the region's burgeoning population. Between 2000 and 2010, ABAG's forecast shows that the region's population will grow by 251,300 persons to a total population of 7,631,400. ABAG's RHND methodology addresses future housing demand by considering each jurisdiction's share of the region's household and employment growth. This method ensures that future housing demand is met by assigning housing unit allocations in areas where growth is expected to occur.

Employment Opportunities

State law requires that ABAG consider employment patterns when determining the distribution of RHND allocations for jurisdictions in the region. ABAG's *Projections 2000* forecast contains the employment potential for each of the region's jurisdictions to the year 2020. *Projections 2000* indicates that the region will add nearly a million new jobs over the next twenty years. Over 50 percent of these jobs will be in the services sector (business and professional, health and recreation, social and personal), while the manufacturing and wholesale sectors will comprise 19 percent of the new work force. Retail jobs will include another 11 percent with the remaining 19 percent of jobs being comprised of a variety of professions (ranging from communications, insurance and real estate to construction and transportation).

The most significant job growth will be in Santa Clara County (231,000), followed by Alameda (219,550), Contra Costa (140,590), San Francisco (102,800), Sonoma (95,580), Solano (81,270), San Mateo (71,460), Napa (30,110) and Marin (27,000) counties.

Figure 13. Job Demand by Sector



"Other" includes construction, transportation, communications, utilities, finance, insurance, real estate and government, including national security

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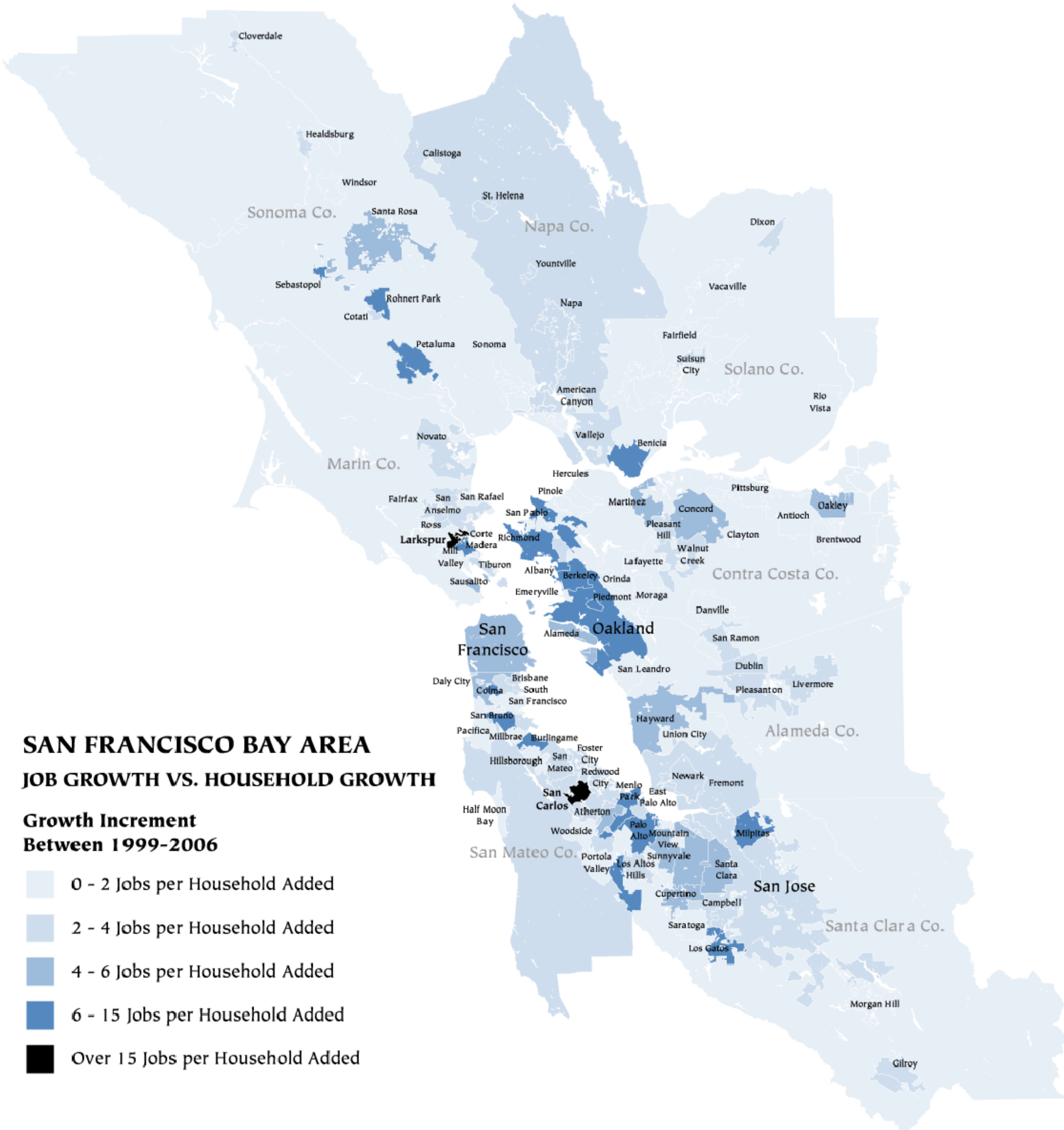
Figure 14.


SAN FRANCISCO BAY AREA
JOB GROWTH VS. HOUSEHOLD GROWTH
Growth Increment
Between 1999-2006
0 - 2 Jobs per Household Added
2 - 4 Jobs per Household Added
4 - 6 Jobs per Household Added
6 - 15 Jobs per Household Added
Over 15 Jobs per Household Added
Cloverdale
Healdsburg
Calistoga
Windsor
St. Helena
Sonoma Co.
Santa Rosa
Napa Co.
Dixon
Yountville
Sebastopol
Vacaville
Rohnert Park
Napa
Cotati
Fairfield
Petaluma
Sonoma
Suisun City
Solano Co.
American Canyon
Rio Vista
Novato
Vallejo
Benicia
Marin Co.
Hercules
Pinole
Pittsburg
Fairfax
San Anselmo
San Rafael
Martinez
Concord
Oakley
San Pablo
Antioch
Ross
Pleasant Hill
Larkspur
Corte Madera
Richmond
Clayton
Brentwood
Mill Valley
Walnut Creek
Tiburon
Lafayette
Albany
Berkeley
Orinda
Contra Costa Co.
Sausalito
Emeryville
Piedmont
Moraga
Danville
San Francisco
Alameda
Oakland
San Ramon
San Leandro
Dublin
Daly City
Brisbane
Colma
South San Francisco
Pleasanton
Livermore
San Bruno
Hayward
Pacifica
Millbrae
Burlingame
Union City
Alameda Co.
Foster City
Hillsborough
San Mateo
Redwood City
Newark
Fremont
San Carlos
Menlo Park
East Palo Alto
Half Moon Bay
Atherton
Woodside
Palo Alto
Mountain View
Milpitas
San Mateo Co.
Portola Valley
Los Altos Hills
Sunnyvale
Santa Clara
San Jose
Cupertino
Campbell
Saratoga
Santa Clara Co.
Los Gatos
Morgan Hill
Gilroy

During the 1999-2006 RHND time frame, ABAG expects that 422,754 jobs and 177,318 households will be added in the region–a ratio of 2.38 jobs/household. The region's jobs/household ratio in 2000 was approximately 1.45 and in 2010 it will be 1.51. Conventional planning practice suggests that a jobs/housing ratio should be 1.5. While the number of jobs in relation to housing units being added to the region would indicate that we are moving towards a healthy jobs/housing ratio, a closer examination of the disparities of job growth among the region's cities and counties suggests a completely different story.

During the 1999-2006 RHND time frame, many jurisdictions will expect job growth to significantly outpace household growth. For example, the City of San Carlos is planning 19 jobs for every one housing unit added. Many of these jurisdictions have historically had a jobs/household ratio well above the regional average. Another common trait shared by jurisdictions with exceptional job growth is that their housing related costs are among the highest in the region.

While these jurisdictions maintain the ability to attract business at an increased pace, by not producing housing, workers are forced to endure lengthy commutes from the region's outlying areas–where housing production typically outpaces job growth.

The RHND methodology addresses this issue directly by shifting a larger share of the RHND allocations towards jurisdictions that are planning significant job growth during the RHND time frame. While this action may not directly result in an immediate reconciliation of the jobs/housing relationship in the region, it does move the region closer in this direction.

The *Projections 2000* forecast indicates that local government land use policies–which encourage job growth over household growth–may limit the regions labor supply. Table 2 compares expected job growth with expected growth in employed residents for each of the region's major transportation corridors between 2000 and 2020. The region's projected increase in jobs exceeds projected growth of employed residents by 99,060 individuals for the Bay Area. The Peninsula Corridor (San Francisco and San Mateo counties) has the most serious imbalance of jobs to labor supply growth.

During the 1999-2006 RHND time frame, ABAG expects that 422,754 jobs and 177,318 households will be added in the region-a ratio of 2.38 jobs/household.

The Peninsula Corridor (San Francisco and San Mateo counties) has the most serious imbalance of jobs to labor supply growth.

Table 2. Labor Supply and Job Growth along Transporation Corridors in the Bay Area, 2000-2020

Transportation Corridor	Population Growth	Household Growth	Employed Resident Growth	Job Growth	Labor Deficit/ Surplus
I-680 Corridor	159,800	58,700	118,800	128,410	(9,610)
Highway 4 Corridor	119,200	42,300	73,900	55,360	18,540
I-80 North Corridor	175,400	61,340	118,200	111,380	6,820
I-80 Central Corridor	27,700	9,650	22,800	24,750	(1,950)
I-80 South/ Highway 24 Corridor	52,800	11,890	58,700	72,470	(13,770)
I-880 South Corridor	76,600	23,550	66,500	79,150	(12,650)
Highway 101 Corridor North	140,900	56,240	108,300	122,580	(14,280)
Peninsula Corridor	82,500	40,050	124,000	174,260	(50,260)
Silicon Valley North Corridor	233,800	86,930	190,400	202,010	(11,610)
Silicon Valley South Corridor	27,600	10,920	18,700	28,990	(10,290)
Region	**1,096,300**	**401,570**	**900,300**	**999,360**	**(99,060)**

Source: December 1999, ABAG *Projections 2000*

Existing land use policies that continue to expand job growth without commensurate household growth will force the labor supply to be imported from outside the nine-county Bay Area region. This places a strain on the region's economic health, as well as its transportation system. Increasing the region's housing stock, especially in areas closer to where jobs are produced, will help to sustain the economic prosperity the Bay Area has enjoyed for the past decade.

It is clear that ABAG's *Projections 2000* forecast identifies an employment growth for jurisdictions that far exceeds the necessary household growth available under existing residential land use policies. The cause of this trend relates directly to local land use policies and development practices that focuses attention on job producing uses without equal emphasis on housing production.

While it may be said that the tax and fiscal polices of the state hamper local governments' ability to support residential growth, continuing reliance upon the sales tax revenue generating activities that job growth induces will begin to stymie the very economic growth jurisdictions seek. If this trend continues without public policy intervention that creates housing opportunities nearer to where jobs are being produced, the associated long-term impacts will have a severe impact on the region's economic health as well as the environment.

Table 3. Land Available for Development: 1995-2020 (1,000s of acres)

		Available Land Area by Type (Gross Acres)			
County	Total Area	Available Total	Residential	Commercial Industrial	Percent Available
Alameda	473.3	35.4	22.2	12.8	7.5
Contra Costa	462.0	43.7	34.8	8.9	9.5
Marin	332.7	18.9	13.2	2.7	5.7
Napa	481.2	11.1	8.4	2.7	2.3
San Francisco	29.8	2.1	0.8	1.3	7.0
San Mateo	285.3	21.9	15.9	6.0	7.7
Santa Clara	825.8	33.9	23.7	9.6	4.1
Solano	533.0	33.6	19.0	14.6	6.3
Sonoma	1,013.4	69.9	67.5	2.4	6.9
Region	**4,436.5**	**270.4**	**205.4**	**60.9**	**6.1**

Source: ABAG Local Development Policy Survey database

The region also faces an issue relating to the type of jobs being created and the incomes associated with those jobs. Increased job growth in sectors such as the retail and service industries typically do not command wages that match the housing costs associated with the housing market in several jurisdictions throughout the region. Workers in high tech industries, where wages are typically much higher, have driven the cost of housing up, far beyond the incomes of workers in the service and retail sectors. This issue, coupled with the severe deficit in housing production for the region, adds to the housing crisis.

Availability of Suitable Sites and Public Facilities

ABAG's *Projections 2000* forecast considers land available for residential development as well as its related infrastructure constraints. Data is collected on current land use and development policies of local governments prior to the development of ABAG's forecast. Local development policies include general and specific plans, local zoning practices, moratoriums related to sewer and water infrastructure constraints, building permit allocation measures and growth initiatives.

The data collected represents the supply of vacant and re-developable land available for future household and employment growth. The available land supply incorporates local policy information regarding where and when residential, commercial, industrial and institutional development activities could occur. The ABAG modeling system estimates how much of this available land will be needed to accommodate ABAG's growth projections. This data is also used to direct allocations of household and employment growth to smaller geographic areas.

The land available for residential development is mainly vacant, but includes some developed land with potential for reuse. Although ABAG's local policy survey database uses a minimum density of one unit per ten acres, residential densities are typically at least one unit per five acres. Lower density rural residential areas are found mainly in Marin, San Mateo and Sonoma Counties. Some land is designated "mixed use," permitting a combination of uses such as commercial on the ground floor with residential above.

The available acres identified represent a conservative estimate of the actual land supply. ABAG's database underestimates the potential for the reuse or intensification of developed land. The underestimation applies especially to primarily urbanized communities, including San Francisco, Oakland, and San Jose.

Table 4 compares development potential with projected household growth in the region. It illustrates that ABAG's forecast, especially for residential development, could be constrained by the supply of land available under current land use patterns and zoning regulations.

However, an opinion issued by the California Attorney General's office in 1987 suggests that "…The availability of suitable housing sites must be considered based not only upon the *existing* zoning ordinances and land use restrictions of the locality but also based upon the *potential* for increased residential development under *alternative zoning ordinances* and land use restrictions [emphasis added]." The opinion also states that "…current zoning ordinances and land use restrictions [may not] limit the availability of suitable sites." It further states that "The planning process contemplates an identification of adequate sites that could be made available through different policies and development standards."

While ABAG's regional forecast may exceed the residential development capacity of existing plans, State Housing Element Law encourages jurisdictions to develop alternative land use policies, such as increasing densities in already urbanized areas, that could accommodate the additional growth determined by the RHND process.

"…The availability of suitable housing sites must be considered based not only upon the existing zoning ordinances and land use restrictions of the locality but also based upon the potential for increased residential development under alternative zoning ordinances and land use restrictions "

State Housing Element Law encourages jurisdictions to develop alternative land use policies that could accommodate the additional growth determined by the RHND process

Table 4. Housing Unit Supply and Projected Household Growth: 1995-2020

County	Total Unconstrained Unit Potential	Projected New Households	Projected New Households
Alameda	84,590	88,250	(3,660)
Contra Costa	111,320	100,500	10,820
Marin	17,890	14,320	3,570
Napa	13,000	14,640	(1,640)
San Francisco	55,020	21,850	33,170
San Mateo	24,500	32,040	(7,540)
Santa Clara	90,850	126,030	(35,180)
Solano	55,990	57,480	(1,490)
Sonoma	50,200	54,830	(4,630)
Region	**503,360**	**509,940**	**(6,580)**

Source: ABAG Local Development Policy Survey database