Date: February 4, 2015

To: Regional Planning Committee

From: Gillian Adams, Senior Regional Planner, ABAG

Subject: Analysis of Bay Area Housing Sites and Permitting Activity

Summary

This report provides an overview of local efforts to plan for and approve new housing, and how these efforts align with the vision articulated in Plan Bay Area. It also announces public availability of five important new datasets related to local housing planning and production, and includes a summary of findings from an initial analysis of the data and a brief discussion of implications and data limitations. The primary purpose of the report is to invite policy makers and interested members of the public to explore the data and consider its implications.

ABAG's initial analysis reveals that:

- Between 2007 and 2014, the Bay Area did not permit enough housing to meet its housing need, especially for very low-, low- and moderate- income households.[1]
- In 2013 and 2014, more than half (54%) of the region's permitted housing units were located in Priority Development Areas (PDAs).[2]
- In 2013 and 2014, over two thirds of the region's permitted housing affordable to very low-, low-, and moderate-income households was located on sites identified in local jurisdictions' Housing Elements, whereas most of the region's housing units affordable to above-moderate income households were not.

Introduction

For over 25 years, ABAG has compiled datasets pertaining to residential development patterns in the Bay Area. To date, most of these datasets have been focused on the progress jurisdictions have made toward meeting their Regional Housing Need Allocation (RHNA). With adoption of the region's Sustainable Communities Strategy, *Plan Bay Area*, ABAG is sharpening the focus of the housing data it collects in order to advance understanding of the relation of land use planning and policy tools to actual housing production.

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[1] The California Department of Housing and Community Development (HCD) classifies housing units by the income needed to afford those units. These income levels are measured against the Area Median Income (AMI) which is defined by groupings of counties known as Metropolitan Statistical Areas (MSAs). Very low-income refers to housing affordable to households making between 0-50% of AMI, low-income refers to housing affordable to households making between 50-80% AMI, moderate-income refers to housing affordable to households making between 80-120% AMI, and above moderate-income refers to housing affordable to households making 120%+ AMI.

[2] Please note that analysis of the locations of permits issued in 2013/2014 refers to mapped units. Of the 37,871 housing units permitted in the Bay Area in 2013 and 2014, ABAG was able to map 34,031—representing 90% of the permitted units.

ABAG is now releasing a compilation of the parcel/address location of housing permits issued in 2013 and 2014, and designated housing opportunity sites identified in local General Plan Housing Elements for 2007-2014 and 2015-2022, as well as a summary report of the Bay Area's housing permitting activity during the 2007-2014 period. A general description of each dataset along with technical information about the data format and data definitions is available at http://www.abag.ca.gov/planning/housing/datasets.html.

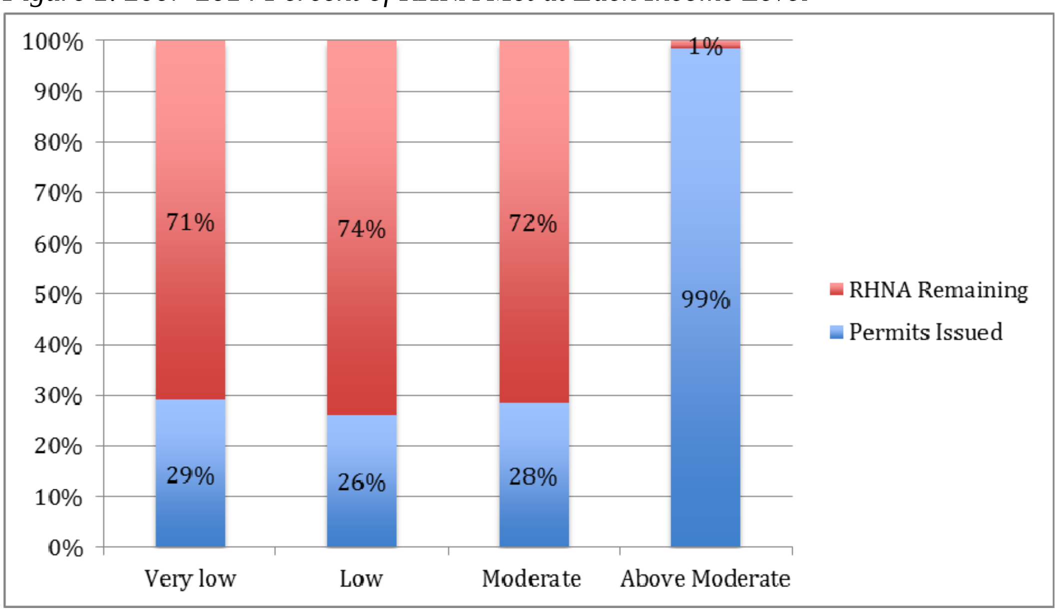
These datasets enable analysis at a greater resolution than previously possible. They also encourage further analysis of any question for which regional geocoded datasets are available for comparison. For example, these datasets can help show the extent to which designated housing opportunity sites and/or actual housing developments are in PDAs, Transit Priority Areas (TPAs) or high opportunity areas. Finally, these datasets will stimulate consideration of how housing planning and policy processes, such as the requirement to designate particular housing opportunity sites, interacts with actual housing permitting activity. These datasets will become increasingly valuable for trend analysis as each additional year's worth of data is added to the compilation.

Preliminary Findings

What Progress was Made Toward Meeting the 2007-2014 RHNA?

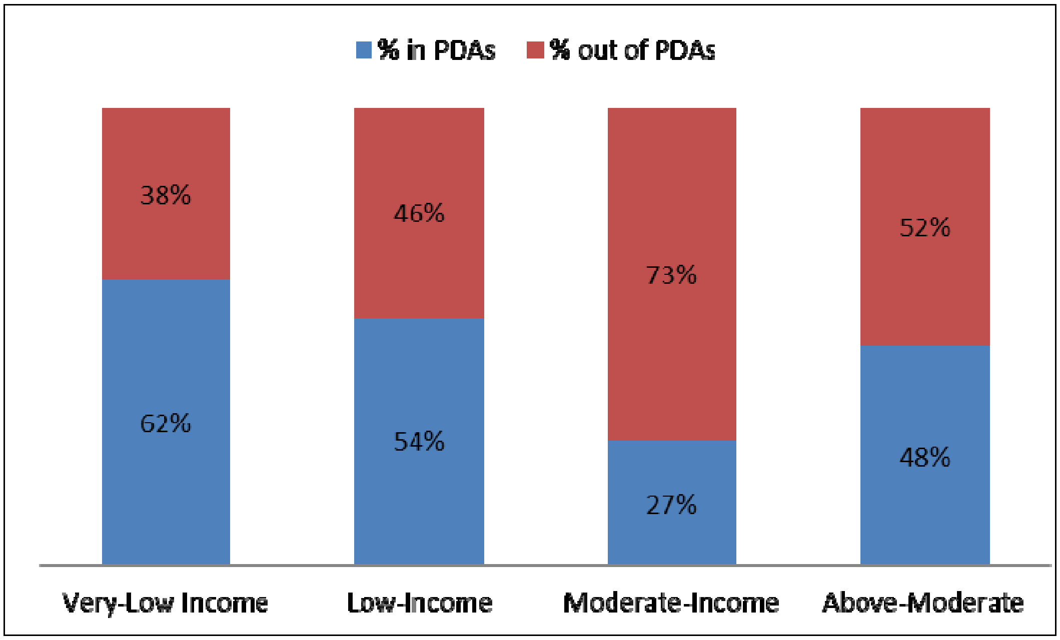
RHNA is the state-mandated process to identify the total number of housing units (by affordability level) that each jurisdiction must accommodate. In the period between 2007 and 2014, Bay Area jurisdictions issued permits for 57% of the overall RHNA. However, production was skewed toward units for higher income consumers, meeting 99% of the RHNA for above-moderate income housing, but only 28% for moderate-income households, 26% for low-income households, and 29% for very-low income households.

Figure 1. 2007-2014 Percent of RHNA Met at Each Income Level



Were Housing Permits in 2013 and 2014 Concentrated in Priority Development Areas (PDAs)?
PDAs are locally nominated areas where housing, employment, amenities and services can be developed to meet the day-to-day needs of residents and workers in a pedestrian-friendly environment served by transit. In 2013 and 2014 combined, 54% of all units for which permits were issued were in PDAs. Broken out by income category, the share was 48% in PDAs for above-moderate income housing, 27% for moderate-income housing, 54% for low-income housing, and 62% for very low-income housing. For that same time period, PDAs were home to 59% of the region's permitted multi-family housing units.

Figure 2. Proportion of Bay Area Housing Units Permitted in PDAs by Income Level—2013 and 2014



Were the Opportunity Sites Identified in Local Housing Elements Located in PDAs?
Each jurisdiction must identify an inventory of specific parcels zoned such that, collectively, enough housing could be permitted to accommodate the local RHNA. These are commonly known as housing opportunity sites. ABAG has compiled a complete inventory comprising all jurisdictions' housing opportunity sites for the 2007-2014 and the 2015-2022 housing element cycles. These compilations and their public "open-data" release are a first for any multi-county region in California.

For the current (2015-2022) housing element cycle, 38% of housing opportunity sites are located in PDAs, up slightly relative to 34% for the previous cycle (2007-2014). Unfortunately, the proportion of future housing capacity on opportunity sites located in PDAs is unknown, since not all jurisdictions provided a clear estimate of housing unit capacity for each site in their inventory. Given these limitations, this analysis is not possible at this time.

Were Permits Issued for Housing Development on Housing Opportunity Sites or Elsewhere?
In 2013, only 26% of the housing permits issued in the Bay Area were on parcels jurisdictions had identified in their 2007-2014 housing site inventories; in 2014, this increased to 29%. In terms of units, as distinct from sites, for 2013, 11% (1,850 units) were on housing opportunity sites; for 2014 the proportion increased to 26% (5,287 units). In 2013 and 2014, 19% of all multifamily units and 70% of all units affordable to very low-, low-, and moderate-income households were located on housing opportunity sites identified by jurisdictions for their 2007-2014 and 2015-2022 housing elements.

In Summary, What Was the Location of Housing Units Relative to PDAs and RHNA Sites?

Figure 3. Location of Permitted Housing Units in the Bay Area (2013 and 2014)

	On Housing Sites	NOT on Housing Sites	Total
In PDAs	12%	41%	54%
NOT in PDAs	9%	37%	46%
Total	21%	79%	100%

Discussion

What Progress was Made Toward Meeting the 2007-2014 RHNA?
Between 2007 and 2014, jurisdictions in the region issued permits for only 57% of the total housing need, compared to 92% between 1999 and 2006[3]. The drop in permitting activity between 2007 and 2014 may be largely attributed to the Great Recession whose effects have only recently started to fully reverse. The majority of units permitted were affordable to above-moderate income households with the Bay Area only permitting about a third of the units needed to accommodate its very low-, low-, and moderate-income residents, which is in line with historical development patterns for the region.

Were Housing Permits in 2013 and 2014 Concentrated in Priority Development Areas (PDAs)?
In the first two years since adoption of *Plan Bay Area*, more than half (54%) of the region's housing was permitted in locations within PDAs. While the region appears to be moving towards more infill, transit-oriented development consistent with the vision outlined in the SCS, additional incentives and policies will likely be required to meet *Plan Bay Area's* long-term goal of accommodating 78% of housing in PDAs. Continued monitoring of permits by location will help show whether the policies and incentives adopted as part of *Plan Bay Area* will lead to an increase in the proportion of housing permitted in PDAs over time.

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[3] *The region's total housing need, as determined by HCD, varies with each RHNA cycle. For 1999-2006 it was 230,743, for 2007-2014 it was 214,500 units and for 2015-2022 it is 187,990 units.*

Were the Opportunity Sites Identified in Local Housing Elements Located in PDAs?
The findings of an increase from the previous planning cycle to the current are in line with expectations. In 2007, at the time of adoption for housing elements in the 2007-2014 planning cycle, the PDA construct was not yet formalized, although many of the areas that became PDAs were in locally designated redevelopment areas. As more attention was put on PDAs as a local indication of areas targeted for more intense developments, naturally more designated housing opportunity sites would be in PDAs. However, given that housing opportunity sites for 2015-2022 were identified after completion of *Plan Bay Area,* it is somewhat surprising that the share in PDAs is not higher.

Were Permits Issued for Housing Development on Housing Opportunity Sites or Elsewhere?
The findings are provocative, calling for further research and analysis. In 2013 and 2014, over two-thirds of the region's permitted housing affordable to very low-, low-, and moderate-income households was located on sites identified in local jurisdictions' Housing Elements, whereas almost three-quarters of the region's total housing units were not.

It is important to note that for purposes of compliance with State law, the requirement is simply that jurisdictions demonstrate that there is adequate zoned capacity by listing one possible set of parcels on which an adequate number of housing units could be built. In other words, these sites are markers for where jurisdictions assure that housing development *could* go, but not necessarily where future housing *will* go. Ultimately, actual development is driven by developer interest, the availability of financing or subsidy sources (in the case of deed-restricted affordable housing), and where developers expect to maximize their investment.

The finding that housing (other than affordable units) generally is not developed on designated housing opportunity sites will bolster some of the arguments that have been advanced by some critics of the Housing Element site inventory process. Some critics assert that jurisdictions disingenuously select sites that are not likely to be developed in order to assuage slow-growth constituents. Other critics assert that site identification raises land owners' expectations of value, which drives up land costs and impedes development. Still others opine that the economics of risk capital for development dictate that savvy developers pass up already-zoned sites because their ability to generate a suitable return on capital investment encourages them to purchase options on under-zoned land for less, then successfully pursue up-zoning to create value. However, if for every home built on a designated housing element site, four homes are built elsewhere, the data may imply a far greater regional capacity for housing than previously imagined.

While it will be important to continue to monitor permit activity to see if this trend continues beyond these initial two years, given the centrality of the site designation process to Housing Element certification, and therefore by extension to General Plan conformity, a thorough examination of the efficacy of the process would appear to be in order.

Data Access & Limitations

While these datasets enable new analyses, their usefulness is limited by significant constraints. First, due to a lack of specificity in the California Department of Housing and Community Development (HCD) reporting requirements, some jurisdictions do not report permit locations by a specific parcel number, which makes the process of geocoding more time consuming, expensive, and prone to error. However, the location can be determined precisely for approximately 97% all sites and 90% of units. Second, there is currently no single, public parcel-level data source that collects actual housing production by affordability level. HCD collects housing permit information by affordability level, but not actual production (not all permits result in construction). The California Department of Finance (DOF) collects housing production information, but not by affordability level and not at the parcel level. Public and private sources rely on data collection directly from jurisdictions and there is great variability in data definition, completeness, and availability. ABAG is working with cities, counties, and HCD to improve and streamline data reporting and collection and, through HCD's Housing Policy Advisory Committee, to clarify reporting requirements.

Implications and Next Steps

At this time, we are seeking input from Regional Planning Committee members:

- What can be done to expand housing production in PDAs?
- What can be done to encourage local communities to identify more housing opportunity sites in PDAs?
- How can we increase the likelihood of development on RHNA sites?
- What qualities of housing opportunity sites make them more appealing to affordable housing developers than market-rate developers?

Attachment:

1. *San Francisco Bay Area Progress in Meeting 2007-2014 Regional Housing Need Allocation (RHNA)*