

2015 Analysis of Bay Area Housing Sites and Permitting Activity

The Bay Area consistently ranks as one of the most expensive housing markets in the United States. This is, in part, because of its economic vitality and high quality of life compared to other regions. The number of new homes added in the region over the last several decades has not matched the number of new jobs, resulting in an unmet demand for housing. This unmet demand has serious economic and quality of life impacts for the region.

A primary rationale for collecting housing production data is to support the development and evaluation of effective housing policies and programs. 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 the release of the data that ABAG compiled about housing permits issued by the region's local jurisdictions in 2015, as well as updated versions of the permit data collected for 2014. This report includes a summary of findings from an initial analysis of the 2015 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 in 2015:

- The Bay Area continued to struggle to issue enough permits to meet the region's housing needs—particularly for very low-, low- and moderate-income households. Of the permits issued, 85% were for units affordable to above moderate-income households (compared to 83% in 2014).¹
- More than half (52%) of the region's permitted housing units were located in Priority Development Areas (PDAs)². This is a decline compared to 2014, when 63% of units were in PDAs.
- Only 26% of all of the units for which permits were issued were on housing sites identified by local jurisdictions in their Housing Elements. This is a decline from 2014, when 34% of units were on housing element sites.

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), and did not include parcel-level

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% or more AMI.

² Analysis of the permit data is limited to units whose location could be mapped. Of the 21,894 housing units for which permits were issued in the Bay Area in 2015, ABAG was able to map 19,894 (91%). 1,529 of the units that could not be mapped are rehabilitated units in San Francisco. If these units are excluded, ABAG was able to map 98% of total units in 2015. In 2014, ABAG was able to map 21,396 (98%) of the 21,983 total units.

location information. With adoption of the region's Sustainable Communities Strategy, *Plan Bay Area*, ABAG sharpened 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.

ABAG staff compiled and mapped all of the designated housing opportunity sites identified in local General Plan Housing Elements for 2007-2014 and 2015-2023. In 2014, we also began to collect the parcel/address location of each housing permit issued as part of our annual survey of local jurisdiction permitting activity.³ With this report we announce the release of the housing permit data for 2015, as well as updated versions of the permit data collected for 2014.

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 2015-2023 RHNA?

Every eight years the California Department of Housing and Community Development uses a demographic forecast to determine the total housing need for the Bay Area, by affordability level. The RHNA process assigns each jurisdiction a share of this total need, which it must then plan to accommodate by updating its General Plan Housing Element.

Our analysis focuses on progress toward meeting RHNA goals because they are the standard established by HCD against which local jurisdiction actions are judged. However, it is important to note that the fact that the need determinations are not updated frequently means that they may underestimate the actual housing needs of Bay Area residents because they cannot account for changes in conditions on the ground, such as the region's recent rapid job growth.

In 2015, jurisdictions issued permits for 11% of the total RHNA. Since 2015 is the first year of the eight-year RHNA cycle, it is difficult to gauge how well jurisdictions will ultimately do in meeting their RHNA goals. The data collected for 2015 show that local jurisdictions issued permits for 19,894 housing units. This compares to 21,396 units for which permits were issued in 2014.

³ 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>.

The permit activity for both years falls short of the average of 23,499 units per year that would have to be permitted to meet the Bay Area’s total need of 187,994 units for the eight-year RHNA period. As context, 132,000 jobs were added in the region between January 2015 and January 2016.⁴

The Bay Area is continuing to provide an insufficient number of new homes to meet the demand. The problem is particularly acute for homes that are affordable to very low-, low-, and moderate-income households. Figure 1 compares the affordability levels of the homes for which permits were issued in 2015 to the affordability levels of the 2015-2023 regional housing need determination. Of the units for which permits were issued in 2015, 85% were for above moderate-income households. This is similar to 2014, when 83% of units were for above moderate-income households.

Figure 1: Comparison of 2015 Units and 2015-2023 RHNA, by Affordability

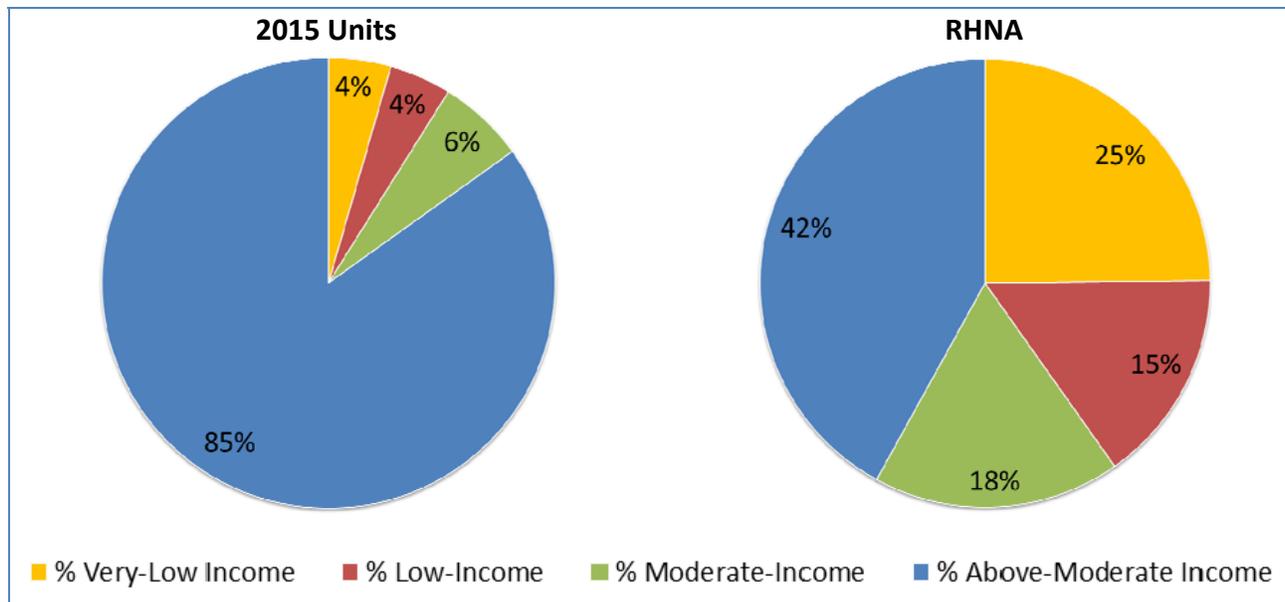
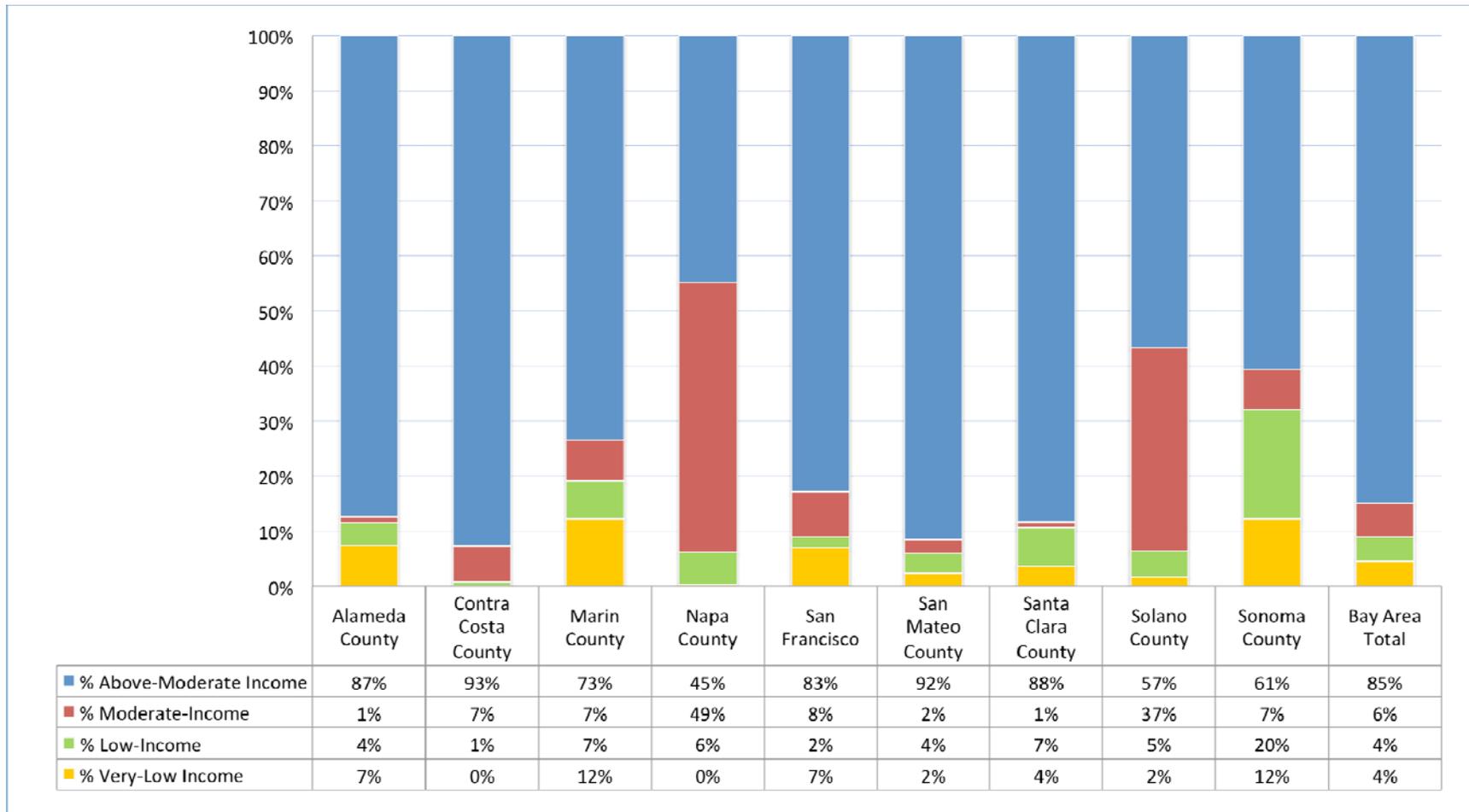


Figure 2 on the next page shows the affordability distribution of units for which permits were issued for each county.

⁴ EDD Quarterly Census of Employment and Wages confidential data.

Figure 2: Affordability of Units for Which Permits Were Issued in 2015, by County



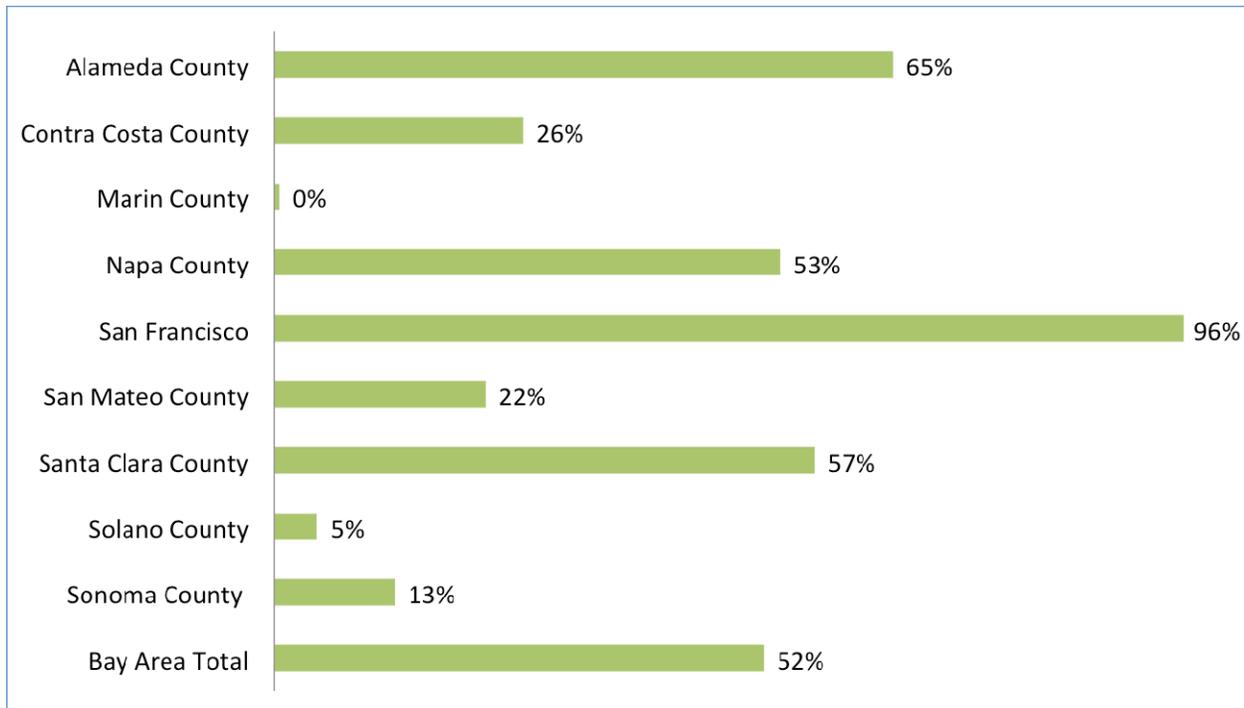
Were Housing Permits in 2015 Concentrated in Priority Development Areas (PDAs)?

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 2015, 52% of all units for which permits were issued were in PDAs. Most multi-family homes (69%) and homes affordable to both very low-income households (76%) and above-moderate households (53%) were located in PDAs. In contrast, only one third of homes affordable to low-income and moderate-income households were located in PDAs.

In comparison, in 2014, 63% of all units and 76% of multi-family units were in PDAs. In terms of affordability, 65% of units affordable to very low-income households, 77% of units affordable to low-income households, 37% of units affordable to moderate-income households, and 63% of units affordable to above moderate-incomes households were located in PDAs.

Figure 3 shows the proportion of 2015 units in PDAs, by county. 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.

Figure 3: 2015 Units in Priority Development Areas, by County



Were Housing Permits in 2015 Concentrated in Transit Priority Areas (TPAs)?

Transit Priority Areas are areas within one half mile of a major transit stop that are identified in Senate Bill 375, which guides the development of each region’s Sustainable Communities Strategy. SB 375 includes special provisions and incentives for development projects in TPAs. For permits issued in 2015, 49% of all units were located in a TPA. By income category, 69% of very low-income units, 58% of low-income units, 27% of moderate-income units, and 49% of above moderate-income units were in TPAs.

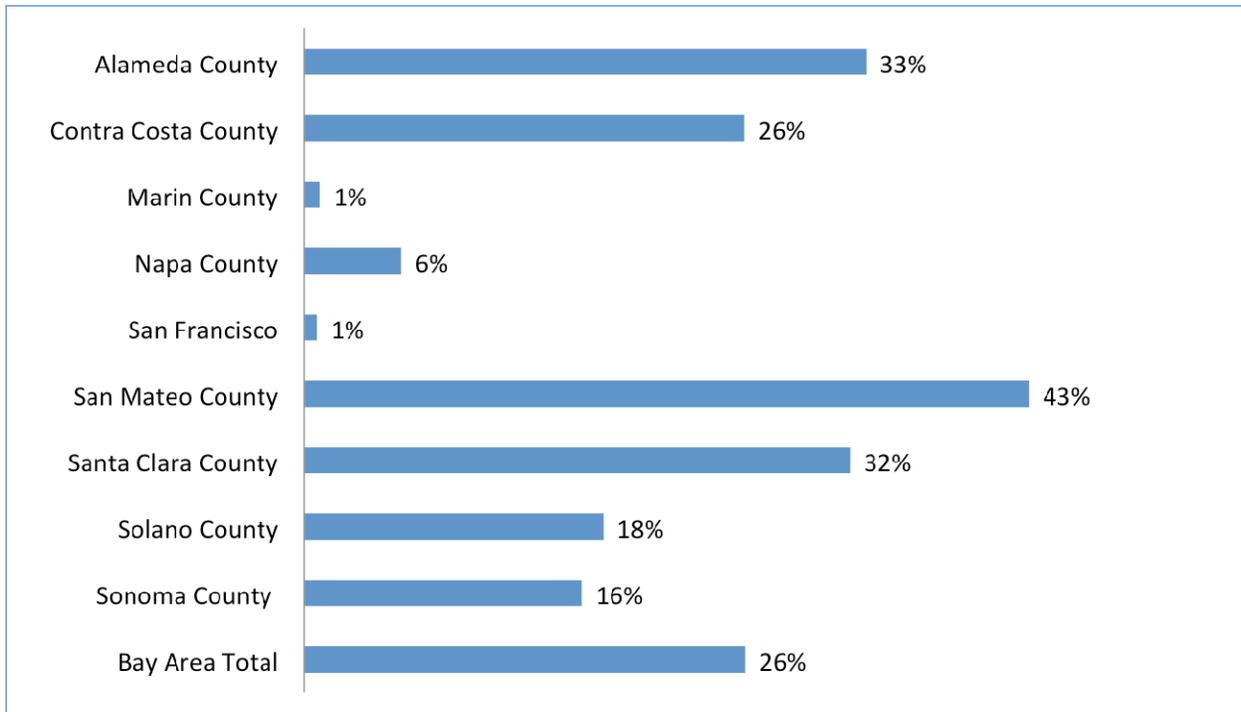
In 2014, a higher proportion of units were in TPAs, across all income categories: 70% of all units and 73% of very low-income units, 74% of low-income units, 39% of moderate-income units, and 71% of above moderate-income units were in TPAs.

Were Permits Issued for Housing Development on Housing Opportunity Sites or Elsewhere?

In 2015, 26% of the housing units for which permits were issued in the Bay Area were on parcels jurisdictions identified in their 2015-2023 housing site inventories. For affordable units, 21% of all units affordable to very low-, low-, and moderate-income households were located on housing opportunity sites. For permits issued in 2015, 26% of multi-family units were located on housing opportunity sites.

This is a decline from 2014, when 34% of all units were on housing element sites. About 25% of units affordable to very low-, low-, and moderate-income households were on housing element sites.

Figure 4: 2015 Units on RHNA Sites, by County



It is important to note that for purposes of compliance with State law, the requirement for the Housing Element 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. 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 important analyses, their usefulness is limited by significant constraints. The information that jurisdictions report to ABAG is closely tied to the information they are required to submit to the California Department of Housing and Community Development (HCD) in their Housing Element Annual Progress Report (APR). However, the utility of the APR data for analyzing housing trends is limited by the fact that it compiles data in a summary format instead of tracking data for every permit issued. In order to fully assess housing development spatial patterns, ABAG separately collects from jurisdictions data about the location and affordability of every permit issued. Due to a lack of specificity in the 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. In addition, in working with local jurisdictions to compile this information, ABAG has noted inconsistencies when comparing the Annual Progress Report submitted by jurisdictions to HCD and the building permit data provided to us. Sorting out these inconsistencies requires a significant investment of time and effort for jurisdiction and ABAG staff.

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.

To address these limitations, ABAG is currently working with cities, counties, and HCD to improve and streamline data reporting and collection in order to increase the quality and scope of the data available for the region. These efforts include working with HCD to provide more clarity about its requirements and improve its data collection and management systems and looking for opportunities to coordinate data collection among HCD, DOF, and ABAG.