Housing Methodology Committee

Bay Conservation and Development Commission (BCDC)
50 California Street, 26th Floor
San Francisco, CA

Meeting – July 27, 2006
10:00 a.m. - 12:00 noon

REVISED

Time (approx.)

1. **CALL TO ORDER/INTRODUCTIONS**

2. ***REGIONAL HOUSING NEED NUMBER** (continued from June meeting)   **20 Minutes**
    Staff report on how Department of Housing & Community
    Development determines the region's housing need number

3. ****BASELINE ALLOCATION**   **30 Minutes**
    Staff presentation of the baseline allocations of the regional need based on
    household growth and the household/job weightings used in prior
    RHNA revision. Committee discussion and feedback.

4. **OTHER ALLOCATION FACTORS**   **30 Minutes**
    Committee discussion of other allocation factors, e.g., statutory factors, etc.

5. **Agenda for August HMC Meeting**   **30 Minutes**

6. **Public Comment**   **10 Minutes**

7. **Adjournment**

Post - Meeting Lunch: **Noon – 12:45 p. m.**

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* Handout at meeting
** Attachment included

MEMO

To: **Housing Methodology Committee**
From: **Paul Fassinger, ABAG Research Director**
Date: **July 21, 2006**
Re: **Illustrative Allocations**

At the July meeting, the HMC began identifying possible RHNA allocation factors, e.g., local growth limits, restrictions on available lands (urban growth limits, open space and agricultural preserves), and geopolitical boundary and related land status issues (LAFCO policies, spheres of influence and annexations).

This memo provides two illustrative allocations at the county level based on household and job growth from Projections 2005. The first example assumes that only household growth from the Projections 2005 forecast is used to allocate the housing need. The second example assumes that household growth and employment growth are weighted equally. In each allocation, a regional need number of 230,000 housing units is assumed, which is consistent with the last RHNA.

Allocation Based Solely on Household Growth

This sample allocation is based on information from Projections 2005 on household growth between 2007 and 2014. Any actual allocation will use updated information. For allocation purposes, the important element is the proportion of regional growth. For example, Alameda County is expected to account for 20% of regional household growth for this time period.

100% Household Allocation

	Share of Household Growth 2007-14	Housing Unit Allocation
ALAMEDA COUNTY	20%	47,140
CONTRA COSTA COUNTY	11%	25,979
MARIN COUNTY	2%	5,563
NAPA COUNTY	2%	3,487
SAN FRANCISCO COUNTY	8%	17,646
SAN MATEO COUNTY	9%	20,787
SANTA CLARA COUNTY	29%	66,104
SOLANO COUNTY	11%	24,722
SONOMA COUNTY	8%	18,571
REGION	100%	230,000

Allocation Based On Household and Job Growth

This sample allocation is based on household growth and employment growth from Projections 2005.

50% Housing and 50% Jobs

	Share Household Growth 2007-14	Share Job Growth 2007-14	Housing Unit Allocation
ALAMEDA COUNTY	20%	22%	48,567
CONTRA COSTA COUNTY	11%	10%	25,059
MARIN COUNTY	2%	2%	5,151
NAPA COUNTY	2%	2%	3,690
SAN FRANCISCO COUNTY	8%	16%	26,793
SAN MATEO COUNTY	9%	10%	22,002
SANTA CLARA COUNTY	29%	27%	64,616
SOLANO COUNTY	11%	4%	17,339
SONOMA COUNTY	8%	7%	16,783
REGION	100%	100%	230,000

Household shares are the same as in the previous example, but now the share of forecasted job growth is included. When a county's share of regional job growth is higher than its share of regional housing growth, it is allocated a larger number of housing units compared to the first allocation set at 100% household. Where the share of job growth is less than the regional share of housing growth the county is allocated fewer housing units.

In this particular example, Alameda, Napa, San Francisco, and San Mateo counties receive a higher allocation under the second example. Contra Costa, Marin, Santa Clara, Solano and Sonoma counties receive fewer housing units. The most significant changes numerically are in San Francisco and Solano counties.

Other Allocation Factors

While the actual regional need number and the projections of housing and job growth will be updated, we can use this information, along with other factors the committee would like to consider, to understand how illustrative allocations will work.

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Housing Methodology Committee
Meeting – July 27, 2006
10:00a.m – 2:00 p.m.
San Francisco Bay Conservation & Development District
50 California Street, 26th Floor
San Francisco, CA

Meeting Summary

1.   Call to Order/Introductions
The meeting began with introductions of member representatives, interested parties, and ABAG staff. Paul Fassinger, Research Director at the Association of Bay Area Governments (ABAG) provided an overview of the Meeting Agenda.

2.   Regional Housing Need Number
In response to questions raised at prior committee meetings about how the total regional need is determined, Mr. Fassinger gave a presentation outlining the process the Department of Housing and Community Development (HCD) uses to generate this number.

As required by the RHNA statutes, the regional number is based on a forecast of both existing and projected housing need. Mr. Fassinger pointed out that any "leftover" need from the 1999-2006 RHNA period is not factored into the determination of existing need. Instead, the calculation of existing need is based on an evaluation of the existing vacancy rates for both rental and owner-occupied homes compared to target vacancy rates.

The target vacancy rates are established by the State Department of Finance (DOF), and are developed to improve on market conditions and address problems such as overcrowding and high housing costs. The difference between the existing vacancy rate and the target is multiplied by the total number of housing units to generate the number of housing units that need to be added to achieve the target vacancy rate (Figure 1).

Figure 1

Existing Housing Need

	2007 Existing Households			Target Vacancy Rate		Current Vacancy Rate			Units Needed To Improve Market Conditions
Owner Occupied	1,516,800	x	(	3.0%	-	1.0%	)	=	30,300
Renter Occupied	1,112,000	x	(	5.0%	-	2.8%	)	=	24,500
Bay Area Total	2,628,800								54,800

The projected housing need is based on the number of projected households in the region. This is calculated by multiplying the headship rate (the proportion of the population who are the head of a household) by the estimated population growth (Figure 2). The headship rate and population growth

figures are based on data from DOF, which uses a cohort survival demographic model that includes migration to forecast growth.

Figure 2

Projected Households

Headship Rate	X	DOF Population Growth	=	Households
0.4	X	433,500	=	173,400

The total number of projected households is then multiplied by a target vacancy rate as well as a factor to account for the need to replace demolished units. The sum of these three housing estimates is the projected housing need for the region (Figure 3). This figure, combined with the estimate of existing need, represents the total need for the region.

Figure 3

Projected Need

	Households	173,400
+	Vacancy Factor	8,700
+	Replacement Factor	6,500
	Needed Housing Units	188,600
	Existing Need	54,800
+	Projected Need	188,600
		243,400

Once the committee had a common understanding of the factors included in determining the regional need number, there were a lot of questions and concerns about the assumptions underlying the HCD and DOF forecasts. There was a general sentiment that the demographic models used by the State do not reflect the local conditions in the Bay Area, and that the State's forecasts were often not very accurate. One question raised was if the models used by DOF and HCD would be based on historical trends or whether they would take into account the effects of the recent economic downturn. In particular, committee members felt that the recession significantly impacted migration patterns, including people leaving the region as well as less foreign immigration.

There was also a lot of discussion about the headship rates used by HCD/DOF. Several people commented that headship rates in the Bay Area are generally lower than the State's estimates because the region's high housing costs limit household formation. In response, Mr. Fassinger noted that HCD uses these higher headship rates because the RHNA process is intended to alleviate the burdens of high housing cost and overcrowding.

In the end, the committee expressed a strong desire to have a representative from HCD attend a future Housing Methodology Committee (HMC) meeting to provide more detailed answers to some of these

questions. Several committee members also expressed interest in participating in the discussions that ABAG has with HCD about the regional need determination.

3. Baseline Allocation

To start exploring possible allocation methodologies, Mr. Fassinger presented the committee with several sample methodologies. These examples used the total regional need from the 1999-2006 RHNA cycle along with projected household and job growth from *Projections 2005*.

The first scenario used the methodology adopted for the 1999-2006 RHNA, which gave equal weight to housing and job growth. The second illustration showed an allocation based solely on household growth.

Scenario 1

Allocation Based On   50% Jobs and 50% Housing Growth

	Share Household Growth 2007-14	Share Jobs Growth 2007-14	Example Allocation	Previous RHNA Need
ALAMEDA COUNTY	20.5%	21.7%	48,724	46,793
CONTRA COSTA COUNTY	11.3%	10.5%	25,140	34,710
MARIN COUNTY	2.4%	2.1%	5,168	6,515
NAPA COUNTY	1.5%	1.7%	3,702	7,063
SAN FRANCISCO COUNTY	7.7%	15.6%	26,880	20,372
SAN MATEO COUNTY	9.0%	10.1%	22,073	16,305
SANTA CLARA COUNTY	28.7%	27.4%	64,825	57,991
SOLANO COUNTY	10.7%	4.3%	17,395	18,681
SONOMA COUNTY	8.1%	6.5%	16,837	22,313
REGION	100%	100%	230,743	230,743

Scenario 2

Allocation Based 100% on Household Growth

	Share of Household Growth 2007-14	Example Allocation	Previous RHNA Need
ALAMEDA COUNTY	20.5%	47,293	46,793
CONTRA COSTA COUNTY	11.3%	26,063	34,710
MARIN COUNTY	2.4%	5,581	6,515
NAPA COUNTY	1.5%	3,499	7,063
SAN FRANCISCO COUNTY	7.7%	17,703	20,372
SAN MATEO COUNTY	9.0%	20,854	16,305
SANTA CLARA COUNTY	28.7%	66,318	57,991
SOLANO COUNTY	10.7%	24,802	18,681
SONOMA COUNTY	8.1%	18,631	22,313
REGION	100%	230,743	230,743

These two examples also demonstrated the potential impact of using the "policy-based" *Projections* forecast for this 4th revision of RHNA compared to the "trends-based" *Projections* forecast used for the 1999-2006 allocations.

In response to this presentation, the committee discussed other ways of developing a methodology using only jobs or housing growth as the factors. In particular, several members expressed interest in looking at an allocation based solely on job growth. This would further the goal of a jobs-housing balance by ensuring that housing units were built in proximity to jobs, and also benefits from being easy to understand. However, it was also noted that job growth may be correcting an existing jobs-housing imbalance, and so the jurisdiction should not be penalized.

During discussion of the proposed methodology, the committee expressed concern that the RHNA and FOCUS processes were not being adequately coordinated. Committee members commented that there was not enough information being shared about the ideas developed during the HMC meetings and the FOCUS Technical Advisory Committee (TAC) meetings. There was a desire to know how the information derived from the FOCUS process would be incorporated into *Projections*, and to ensure that any additional factors deemed important for the RHNA methodology would be included in *Projections* so they would influence regional planning efforts.

In addition, several people felt strongly that the discussions to date were not adequately informed by the regional principles for growth established by FOCUS or the specific objectives for RHNA that are outlined in the statute. The committee requested additional information about these goals and objectives as a way to frame future discussions.

4. Other Allocation Factors
After presenting an example allocation methodology, Mr. Fassinger asked committee members to propose ideas for other factors that should be considered. The factors discussed by the committee are listed below. They are grouped as land protection issues, employment issues, housing issues, growth policy issues and physical constraints. Factors identified in the RHNA statute are noted (*).

Land Protection
- Vacant land
- Williamson Act lands (non-prime agricultural lands)
- County policies to protect prime agricultural land*
- Protected open space – lands protected by state and federal government*
- Protected open space – lands protected by regional, county, local, non-profit entities
- Land suitable for urban development or conversion to residential use*

Employment
- Existing and projected jobs-housing balance *
- Home-based businesses

Housing
- Household income
- Recent Housing Construction

- Loss of affordable units contained in assisted housing (affordable designation expires)*
- High housing cost burdens*
- Housing needs of Farmworkers*
- Penalties - failure to meet last allocation
- Penalties - failure to certify Housing Element in last cycle

Growth Policies
- Distribution of household growth*
- Market demand for housing*
- City-centered growth policies*
- Urban growth boundaries
- Historic preservation districts

Physical Constraints
- Water and sewer capacity*
- Geologic constraints

In examining these potential factors, many committee members expressed frustration that the RHNA statutes exclude local causes of land unavailability. In particular, the committee felt that local open space policies, local policies to direct growth away from agricultural land and unincorporated areas, and the limits on development presented by water and sewer capacity should be considered.

At the same time, although many committee members acknowledged the importance of these factors, several people pointed out some of the possible difficulties in obtaining information about these factors or finding quantifiable ways to factor them into the methodology. Mr. Fassinger also suggested that some of the factors discussed may be more appropriately addressed in the Projections forecast or in the housing elements for each jurisdiction.

One issue that was particularly important for several committee members was finding a way to hold jurisdictions accountable for their performance during the 1999-2006 RHNA period. To reward jurisdictions that are building housing, committee members suggested offering credits or extra weighting for communities that zone sites for housing "by right" or for building transit-oriented developments (TOD). Members also proposed penalizing jurisdictions that did not produce many units or those that do not have a certified housing element.

However, several committee members raised concerns about implementing a performance measure based on production, since the RHNA process focuses on planning and identifying sites for housing. Committee members also mentioned some of the constraints that jurisdictions face that limit the amount of housing built, even if adequate sites are identified. These include the market demand for housing and the amount of vacant land or easily developable sites. In addition, several people commented that assigning more units to jurisdictions that do not approve housing units will only exacerbate the housing problem.

Next Steps:
Committee members requested that ABAG staff undertake the following actions:
- Discuss the objectives of the RHNA process and how they relate to the goals of the FOCUS effort
- Send the list of factors to committee members to get their feedback about the list
- Explore ways to incorporate RHNA performance and past production into the methodology
- Provide concrete examples of how the factors can be used in the methodology
- Offer staff opinions about how the factors could relate to RHNA objectives
- Obtain better information from HCD and DOF about their forecasting
    - What are the assumptions that DOF uses in its methodology?
    - Repeat the request to HCD to have someone attend a future meeting
- Schedule tasks by month—give a detailed work plan for remaining meetings
- Confirm schedule change for the October meeting to the 19th from 10-12 at BCDC

The next Housing Methodology Committee meeting is August 24th, 2006 from 10a.m.-12 Noon.