

Housing Methodology Committee

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

Meeting –September 15, 2006
10:00 a.m. -1:00 p.m.

	<u>Time (approx.)</u>
1. CALL TO ORDER/INTRODUCTIONS	
2. REPORTS AND OTHER ITEMS*	15 Minutes
a. Report on questions for HCD- September 28 Meeting	
b. Letters and other communications	
3. Regional Goals, RHNA Objectives, <i>Projections</i> & RHNA Factors **	90 Minutes
Staff report and committee discussion on relationship of RHNA objectives, regional goals and <i>Projections</i> . Committee consideration of using proposed factors, including land use and statutory factors in RHNA methodology.	
4. Allocation of Income-Based Units**	50 Minutes
Staff report on past and possible methods for allocating income-based units.	
5. Sphere of Influence Issues*	15 Minutes
Staff report and committee discussion of how to allocate need and credit construction associated with a city's sphere of influence.	
6. Public Comment	10 Minutes
7. Adjournment	
In - Meeting Lunch:	11:45 –1:00 p. m.

* Handout at meeting

** Posted to web site



MEMO

To: Housing Methodology Committee
 From: Paul Fassinger, Christy Riviere, Gillian Adams, ABAG Staff
 Date: September 12, 2006
 Re: Using RHNA Methodology Factors to Further Regional Goals

Summary

At the August meeting, the Housing Methodology Committee (HMC) began a discussion about the *Projections* forecast and its relationship to the regional goals for growth and the RHNA objectives. The committee also explored how the potential methodology factors are currently addressed in *Projections*.

As requested by members of the HMC, this memo presents details on the relationship between *Projections* and RHNA. Specifically, it shows how the regional goals and RHNA objectives are met through *Projections*. We also present whether and how the individual factors (as amended by HMC in August) are included in *Projections* as well as how they might be used in an allocation methodology.

Generally, we believe that a clear and appropriate allocation can be achieved by maintaining consistency with regional goals and the objectives listed in RHNA law and, more importantly, by focusing the methodology on where growth should occur versus where it cannot.

RHNA & Regional Goals

As noted at the August HMC meeting, the RHNA objectives are consistent with the regional goals for growth. These are listed below:

RHNA Objectives	Regional Goals for Growth
(1) Increase the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which shall result in each jurisdiction receiving an allocation of units for low and very low income households. (2) Promote infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns. (3) Promote an improved intraregional relationship between jobs and housing. (4) Allocate a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent decennial United States census.	<ul style="list-style-type: none"> • Strengthen and support unique existing communities • Create compact, healthy communities with a diversity of housing, jobs, activities, and services to meet the daily needs of residents • Increase housing supply and choices • Improve housing affordability • Increase transportation efficiency and choices • Protect and steward natural habitat, open space, and agricultural land • Improve social and economic equity • Promote economic and fiscal health • Conserve resources, promote sustainability, and improve environmental quality • Protect public health and safety

As the above table demonstrates, there is consistency between the RHNA objectives and the regional goals. This is important because, as a result of the Smart Growth Strategy/Regional Livability Footprint Project that was completed in 2002, ABAG's Executive Board resolved to use the regional goals (recently refined as part of the *Focusing Our Vision* program) as the basis for *Projections*. Since that decision, *Projections* assumes that, over time, local land use policies will move the region closer toward meeting the regional goals.

The shift to policy-based *Projections* has important implications for growth and development in the region. For example, *Projections* now forecasts more growth in existing urbanized areas and near transit, and less in agricultural areas. This is consistent with the regional goals for growth and the RHNA objectives that call for an increase in the supply of housing, jobs-housing balance, more infill development, protection of the environment, efficient development pattern and others. Since the *Projections* forecast is the basis for the RHNA allocations, these policies will then influence how housing units are distributed within the region.

RHNA Factors

In addition to considering the RHNA goals in its methodology, the HMC must determine which factors should be included, and how they should be used. Factors are used to assign a share of the region's total housing need to individual jurisdictions. The factors cannot be used to change the total regional housing need.

Therefore, the factors are always expressed as a share of the regional total. For example, a city might have 5% of the total households in a region, or 7% of the total land area in a region, or 2% of all the library books in a region. If used as factors, these same shares are then used to assign a proportion of the regional housing need to the jurisdiction.

Suggestions for how the proposed factors can be incorporated into a methodology are presented below. Since many of the land use factors are already incorporated into *Projections*, staff proposes that these factors be included in the RHNA methodology *only* if HMC members feel the policy-based *Projections* do not adequately address a specific land use concern. In addition, any factors included in the RHNA methodology should be consistent with furthering the regional goals for growth as well as the RHNA objectives.

Land Use

Potential factors, as amended by the HMC at the August meeting:

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

As noted at the August HMC meeting, both the inputs and the output of the regional forecast, *Projections*, are consistent with local information about existing development and future development plans, as well as with the regional goals. The regional forecast is predominantly based on local land use and local planning data. All of the above factors are incorporated into the regional forecast. In other words, information about where development cannot occur, such as protected open space, Williamson Act Lands, and other “undevelopable” lands and, more importantly, land that is “suitable” for urban development are the primary inputs and outputs of *Projections*.

In developing forecasts for jobs and households for the region, we begin with a regional forecast and then allocate to local jurisdictions and census tracts. The model used to perform the jurisdiction and census tract allocations uses local land use data (both existing and planned land uses) to identify the potential space available for future jobs and housing. This land use data is collected from local jurisdictions on a periodic basis. The forecast also takes into account various market factors in allocating growth throughout the region.

For example, data regarding local land use policies (and hence local supply of land that is suitable and available for development) is combined with information about the attractiveness of a residential location—housing prices, access to jobs, and other variables—to predict areas of future housing growth. Similarly, information about the attractiveness of a commercial/industrial location—access to potential employees, markets, and similar businesses—is combined with information about the amount of land available for job-supporting development to predict areas of job growth. It is important to note here that, for the *Projections* model, open space and agricultural lands are not likely to be areas that attract growth, which is one way that the forecast promotes their protection.

The use of local planning information provides a local land use basis for forecasting housing and job growth. This ensures that the areas where growth is predicted to occur are consistent with those determined to be appropriate in local land use plans. In this way, growth is directed away from areas that are unsuitable for development, such as federal, state or locally protected open lands, agricultural lands or wildlife habitats.

Protected Lands and other Non-allocating Factors

At its last meeting the HMC decided to look at a broad category of protected land, as indicated in the above list. The purpose was to ensure that new housing was not sited in areas that need to be preserved.

It is very difficult—if not impossible—to create an allocation that prevents housing development in non-developable areas. This is because an allocation, by its very nature, is intended to direct growth to a specific area. This contrasts with the idea of using the allocation to prohibit growth. Since it assigns a share of the regional housing need to each jurisdiction, it describes where housing should go, rather than where housing cannot go.

Therefore, staff recommends that the HMC consider factors that determine where growth can occur, or developable land. This would ensure that housing is provided for only in appropriate locations—developable, non-protected areas.

Example: If Oakland has 8% of all land in the region that is not subject to protection, then it could receive 8% of the regional housing need.

Employment

Potential factors, as amended by the HMC at the August meeting:

- *Existing and projected jobs-housing balance (statutory)*
- *Home-based businesses*

Several HMC members have supported the idea that housing and employment are related and that housing should be allocated to those areas where there are high concentrations of jobs, or where significant job growth is expected. One of the factors outlined in the law is jobs-housing balance.

Jobs-housing balance could be incorporated into the housing allocation methodology by using the *Projections* job forecast, which is available by jurisdiction. Each jurisdiction's share of total jobs or total job growth could be calculated and then used as a basis to allocate housing units. Since the allocation is to individual jurisdictions, we are assuming that there is land that can be used for residential development even though we are looking at job production.

Example: If the expected job growth in Oakland is 5% of the region's job growth between 2007 and 2014, an allocation based on job growth would assign Oakland 5% of the regional housing need.

Home based business could be incorporated into the housing allocation methodology by determining a jurisdiction's share of home-based businesses. This number could then be subtracted from a jurisdiction's share of the job forecast. Each jurisdiction's share of total jobs or total job growth could be calculated and then used as a basis to allocate housing units.

The challenge will be finding sufficient data for home-based businesses for all jurisdictions in the Bay Area, especially for the projected period. Census data may be the best data available. The committee should consider the merits of this approach, especially considering the data limitations.

Housing

Potential factors, as amended by the HMC at the August meeting:

- *Loss of affordable units contained in assisted housing (affordable designation expires) (statutory)*
- *High housing cost burdens (statutory)*
- *Housing needs of Farmworkers (statutory)*

The housing factors discussed by the HMC include both the goals of locating housing in appropriate residential areas, and locating housing where it can improve residential affordability. In the first case, the *Projections* housing forecast could be used to assign housing in proportion to its existing distribution across the region or in proportion to the expected levels of growth across the region.

For Example: If Oakland is expected to have 4% of the growth in households between 2007 and 2014, an allocation based on household growth would assign Oakland 4% of the regional housing need.

For the factor "high-housing cost burdens," assigning more of the housing to high cost areas might be an appropriate way of moderating prices. The allocation might be to assign a higher share of housing to areas with prices above the regional average and a lower share of housing to areas with prices below the regional average.

For Example: If the price of new housing in Oakland is below the regional average, it might receive 10% less than the average allocation of housing in the region. In a jurisdiction that has a higher than average housing price would be given an allocation that is 10% higher than the regional average.

To address housing needs of farmworkers, a jurisdiction's total share of farmworkers could be considered in the methodology. Data, however, is limited to census figures, and so that data would have to suffice for the methodology. Growth in farmworkers could not be considered.

For Example: If Oakland had 2% of the farmworkers in 2000, an allocation would assign Oakland 2% of the regional housing need.

Growth Policies

Potential factors, as amended by the HMC at the August meeting:

- *Distribution of household growth (statutory)*
- *Market demand for housing (statutory)*
- *City-centered growth policies (statutory)*

The HMC considered policies like urban limit lines and city-centered growth as factors at its last meeting. The use of local growth policies is designed to ensure that growth occurs within specific locations. Like the factors for protected lands, there is a concern about an allocation based on areas where growth should not occur. It is easier to focus on areas where housing should occur. For example, if we were to use the expected housing growth within urbanized areas as a factor, the allocation would not assign growth to the outlying areas. Please note, however, the law requires that all jurisdictions receive a housing allocation.

For Example: If Oakland's share of housing growth compared to the urbanized areas of the region is 10%, then it would receive 10% of the regional need. At the same time, some areas of the region are not urbanized. Even if some housing growth is expected, this allocation factor would theoretically assign them zero housing.

Physical Constraints

Potential factors, as amended by the HMC at the August meeting:

- *Water and sewer capacity (statutory)*

At the last meeting, the HMC's discussion of physical constraints was limited to sewer/water capacity and geologic factors. For allocation purposes, these factors are similar to land use. They can be difficult to use in a method where factors are designed to assign a portion of a total regional growth, and there are potential problems due to legal restrictions on growth caps.

Like land use, the *Projections* forecast assigns housing and employment to locations that do not have sewer and water limitations. If there is a need for specific allocators in this category then an assessment of appropriate areas for development, represented by land, or some other measure could take place.

Transportation

Potential factors, as amended by the HMC at the August meeting:

- *Existing and planned transit*
- *Maximize use of public transportation and existing transportation infrastructure (statutory)*
- *Commute shed*

These factors all try to locate future housing growth in areas where transportation investments will be used more, or at least more efficiently. An allocation based on job locations, as suggested in the

section on employment would address this issue, at least in part. We could also create an allocation factor that looks at housing potential or job potential near transit. This could achieve a better match between housing and the transit and transportation infrastructure.

Conclusion

In developing an allocation methodology, the HMC must choose from an array of potential factors in a way that achieves the RHNA objectives as well as the Bay Area's goals for regional growth. *Projections* serves as a starting point for both meeting the RHNA objectives and in addressing many of the land use factors. Additional methodology factors should be considered only if there is an issue that is not adequately dealt with in *Projections*, or which needs further attention. Since the purpose of the factors is to distribute shares of regional housing need, the factors chosen must be ones that differentiate jurisdictions.

Some factors may be addressed more effectively in a jurisdiction's housing element or general plan. This is because the RHNA allocation assigns housing to the jurisdiction as a whole. The methodology cannot require more specific assignment of housing within a jurisdiction. As a result, it is up to the local governments to balance housing growth with other local needs.

M E M O

To: Housing Methodology Committee

From: Gillian Adams, Regional Planner; Ken Kirkey, Principal Planner

Date: September 15, 2006

Re: RHNA Allocation by Income Category – Potential Approaches

Summary

There are two primary goals that are at the heart of the Regional Housing Need Allocation (RHNA) process. The first is to increase the supply of housing in California by allocating a share of the state-wide housing need to each city and county. The second is to ensure that local governments consider the housing needs of persons at all income levels as they prepare their Housing Elements. The RHNA process achieves these goals by providing each jurisdiction with an allocation of housing units that are separated into the four income categories established by the State.

Goals to Consider

There are several basic considerations when contemplating developing the methodology for allocating housing units by income category. These are explicitly stated in the RHNA statutes as two of the objectives for the process. The first of these is that all cities and counties are responsible for doing their “fair share” and planning for at least some of the region’s need for very-low- and low-income units [§65584(d)(1)¹]. The second is that the allocation methodology must avoid or mitigate the over-concentration of income groups in a jurisdiction [§65584(d)(4)].

In many ways, these State-mandated objectives are complementary to the goals of Focusing Our Vision. Providing a range of housing choices to meet the needs of all residents is a key element in protecting and enhancing the region’s quality of life. Producing more housing—especially affordable housing—will help to alleviate the region’s high housing costs. Many people in the Bay Area struggle with the region’s high housing costs, but the situation is particularly challenging for lower income households that have fewer resources with which to compete for available housing. In addition, the economic vitality of the region depends upon having housing that is affordable to people making a range of incomes. Currently, the region’s high housing costs are making it more difficult for employers to attract and retain employees.

It is also important for every community to contribute to solving the need for more affordable housing. Each community—even those that are not major employment centers—has some jobs. In many jurisdictions, a significant proportion of the employment opportunities are in service, retail, and other sectors that often do not pay high wages. Providing a range of housing choices allows workers the opportunity to live in or near the communities in which they work

¹ All references are to California Government Code Sections.

Possible Methods for Allocating Units by Income

When the Department of Housing and Community Development (HCD) provides ABAG with the total housing need for the region, it is divided into four income categories. The four income categories defined by the State are:

- **Very Low:** households with income **up to 50 percent** of the county’s area median income (AMI)
- **Low:** households with income **between 50 and 80 percent** of the county’s AMI
- **Moderate:** households with income **between 80 and 120 percent** of the county’s AMI
- **Above-Moderate:** households with income **above 120 percent** of the county’s AMI

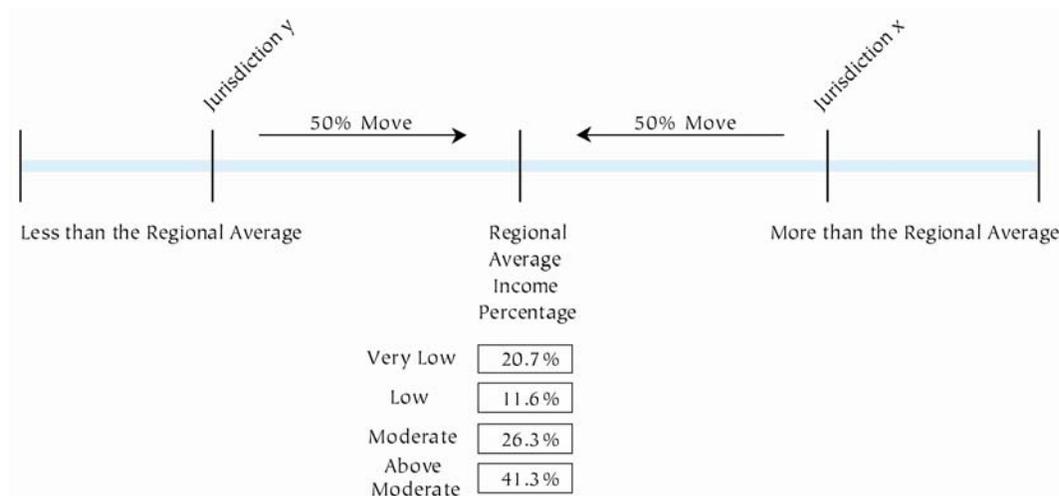
It is the responsibility of each Council of Governments (COG) to create a methodology for assigning the regional need to each jurisdiction in a way that fully allocates the units in each income category and meets the two objectives listed above.

To provide a starting place for the HMC’s discussion about how to allocate units by income, we have identified several possible methods below.

Bay Area RHNA, 1999-2006

During the most recent RHNA revision, ABAG used a methodology that promoted a more equitable distribution of housing opportunities in the region relative to existing conditions by moving each jurisdiction 50 percent toward the regional average household income.

The first step in this process was to determine the existing income distribution for each jurisdiction. The next step was to calculate, for each income category, the difference between the percentage for the region and the jurisdiction. This difference was then multiplied by 0.5. The resulting adjustment factor was then added to the jurisdiction’s percentage. This process is outlined in the graphic below.



This approach moves each jurisdiction toward the regional income distribution. However, since it is based on existing conditions, jurisdictions that have a high proportion of households in a particular income category receive higher allocations in that category compared to other jurisdictions.

Bay Area RHNA, 1988-1995

During the second RHNA revision, ABAG also used a methodology that moved each jurisdiction toward the regional income distribution. This was accomplished by calculating the average of the percentages for each income category in the city, the county, and the region.

For example, in 1980, 39 percent of Oakland residents, 28 percent of Alameda County residents, and 23 percent of Bay Area residents were in the very-low-income category. The average of these three percentages is 30 percent $[(39+28+23)/3]$. As a result, 30 percent of Oakland’s total allocation was in the very-low-income category.

This methodology has results similar to the 1999-2006 Bay Area RHNA approach.

Southern California Association of Governments (SCAG), 1998-2005

In its last RHNA revision, SCAG also adopted the goal of moving each jurisdiction’s income percentages toward the regional averages. Each jurisdiction was categorized as “low impactation,” “average impactation,” or “high impactation” depending on how its proportion of very-low- and low-income income households combined compared to the proportion of these income categories for the region as a whole. The “housing diversity band” below shows the scale that was used to classify jurisdictions.



This classification determined how far the jurisdiction’s income categories were moved toward the regional average. Low impactation jurisdictions moved ¼ of the way, average impactation jurisdictions moved ½ of the way, and high impactation jurisdictions moved ¾ of the way.

Although the details of SCAG’s method may not be appropriate for the Bay Area, this example highlights the possibility of putting jurisdictions into different categories and using different weights for moving them toward the regional income distribution. Like the two methods used by ABAG in previous RHNA cycles, this approach moves each jurisdiction toward the regional income distribution. However, in this methodology, jurisdictions with the highest proportions of low-income households are moved further toward the regional average.

City of Antioch

The City of Antioch has submitted a proposal that would allocate housing units by income category based solely on the region-wide income distribution, without consideration for the existing income distribution in each city or county. In this approach, each jurisdiction is assigned units to match the regional percentages in each of the four income categories.

An August 22, 2006 letter (attached) from Antioch Mayor Donald Freitas outlines the position of the Antioch City Council in favor of an income category allocation that is the same for all of the region’s jurisdictions. If implemented, this “equal share” approach would apply the regional income distribution to each of the region’s jurisdictions.

Summary

The approaches used to allocate income-based housing units for the last two RHNA cycles in the Bay Area as well as SCAG's approach for the last RHNA revision in the Greater Los Angeles region represent attempts at balancing competing issues. These methodologies try to address the existing need for affordable housing in each jurisdiction while also fostering a more balanced spread of income groups throughout the region. Moving each jurisdiction at least part of the way toward the regional income distribution ensures that all communities take responsibility for their "fair share" of the need to plan for the housing needs of households in the affordable income categories (very low, low, moderate).

Since these start with a jurisdiction's existing income distribution and then move part of the way to the regional household income average, they represent only a modification of existing conditions. Jurisdictions with more households in affordable categories (relative to the regional average) must still plan for disproportionately more affordable housing, and those with less than the regional average must plan for less. It can be argued that this approach balances meeting the existing need in a specific jurisdiction with the goal of having all jurisdictions do their "fair share" to meet the region's housing needs.

Alternatively, these approaches have been described as perpetuating an undue housing burden on communities with a higher percentage of households in affordable categories. This argument largely informs the City of Antioch's advocacy for using the same income category allocation percentages for all of the region's jurisdictions.

Finally, changes to the RHNA statutes since the last RHNA revision suggest that a county average, rather than a regional average, could be used for comparing jurisdictions. Staff believes that differences in household income distribution among the nine Bay Area counties could result in an uneven and more complicated distribution than a region-wide comparison. ABAG proposes to query HCD staff at the HMC meeting on September 28, 2006 regarding the viability of using a regional average for the purpose of allocating income categories.



August 22, 2006

Mr. Henry Gardner
Association of Bay Area Governments
PO Box 2050
Oakland, CA 94604-2050

Re: 2006 – 2014 Regional Housing Needs Allocation Process

Dear Mr. Gardner:

As you know ABAG has begun the 2006 – 2014 Regional Housing Needs Allocation (RHNA) process which will allocate housing needs in the very low, low, moderate, and above moderate income categories to individual jurisdictions or subregions. The allocations must then be incorporated into the jurisdictions' housing elements.

The City of Antioch would like to urge ABAG to diligently pursue a fair and equitable distribution of housing needs among all member jurisdictions as required by State housing law. In particular I would like to point out that Section 65584(d) of the California Government Code requires that the housing needs allocation plan must be consistent with several objectives including "increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which shall result in each jurisdiction receiving an allocation of units for low and very low income households" (emphasis added).

It is the opinion of the City of Antioch City Council that an equitable housing allocation distribution must result in a ratio of very low and low income households to the total allocation for all income categories that is the same for all jurisdictions. To not achieve this would be contrary to the objectives mandated by the State.

Although Antioch is not a member of the RHNA Methodology Committee staff would like to be engaged in and informed of the process. Please contact Tina Wehrmeister of the Antioch Community Development Department at (925) 779-7038.

Sincerely,

Donald P. Freitas
Mayor

DPF:tl

Mayor
Donald P. Freitas

Mayor Pro Tem
Brian Kalinowski

Council Members
Jim Conley
James D. Davis
Arne Simonsen

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AUG 28 2006

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MEMO

TO: Housing Methodology Committee (HMC)
FROM: Ken Kirkey, Principal Planner
DATE: September 15, 2006
RE: Potential Questions for the Department of Housing and Community Development (HCD)

SUMMARY

The following questions represent those that have been recorded as part of HMC meeting summaries, and others that have been presented to ABAG staff during the current Regional Housing Needs Allocation (RHNA) revision. Please review the following list to determine any additional questions that you would like HCD to address. HCD staff will be attending the HMC meeting on September 28, 2006.

POTENTIAL QUESTIONS

- How does the region's overall performance in the 1999-2006 RHNA cycle impact the regional allocation for the current cycle?
- How will the two-year RHNA-related extension granted to ABAG impact how permitted housing units in the Bay Area are counted?
- Will the statistical models used by the Department of Finance and/or HCD be based on historical trends or will they take into account the recent economic downturn that severely impacted much of the Bay Area?
- Will the headship rates being utilized in the statistical model(s) be adjusted to accurately reflect the Bay Area's lower headship rates (relative to the state average)?
- Why do RHNA-related statutes overlook local growth planning measures and open space policies recognized by other state statutes?
- Given recent revisions to state statutes and HCD policies, how does HCD define housing units for certification purposes?
- How are group quarters including student housing, senior housing, and single room occupancy facilities counted for certification purposes?
- What are the key parameters pertaining to Trades and Transfers of allocated units between jurisdictions?
- Will HCD be providing additional funding in the current RHNA cycle to assist jurisdictions with the development of affordable housing?
- Will HCD be offering any technical assistance to jurisdictions relative to housing element updates?
- Can HCD provide a more prescriptive, predictable approach for jurisdictions relative to the Housing Element certification process?
- Is there documentation available that describes the HCD/DOF forecasting methodology?
- What are the parameters of state housing law and policies pertaining to RHNA-related Sphere of Influence/jurisdictional boundary issues?

MEMO

To: Housing Methodology Committee
From: Paul Fassinger, ABAG Research Director
Date: September 12, 2006
Re: Sphere of Influence in the Regional Housing Needs Allocation

Summary

Responsibility for housing units in the unincorporated portion of a city's sphere of influence is an issue that must be addressed in the Regional Housing Needs Allocation (RHNA).

In the last Bay Area RHNA cycle the ABAG Executive Board assigned 75% of the RHNA allocation for the unincorporated spheres of influence (SOI) to the cities, and the remaining 25% to the counties. This was a deviation from both the staff and the committee's recommendation.

Staff proposes that the HMC use a 50/50 allocation, where the city would be responsible for 50 percent of the units in the unincorporated SOIs and the county would be responsible for the remainder. Staff also recommends that the committee consider whether it is appropriate to note specific cases where this allocation formula should be adjusted further. The following discussion, taken from the last RHNA cycle, outlines the SOI issue.

Discussion Taken From the Previous RHNA Cycle*

Staff has received feedback from the State Department of Housing and Community Development (HCD) that placing all RHND allocations that are assigned to the unincorporated SOI with the counties is not acceptable. HCD's concern (wa)s that the allocations w(ould) not be adequately planned for, and that the potential units would not be built.

Under the (3rd Housing Needs Cycle), all unincorporated SOI allocations ha(d) been left with the counties. An allowance was given for letting cities and counties work out the redistribution of the allocations. (In that cycle), no group of cities and counties ha(d) been able to reach agreement on the redistribution of unincorporated SOI allocations.

Unincorporated SOI allocations are determined through the *Projections* process. Since ABAG d(id) not know exactly what w(ould) be annexed or not, it (wa)s difficult to determine a method for identifying and allocating the associated need.

Staff presented the HMC with a 50/50 split or placing 100% of the allocation with the cities. The HMC suggested that the 50/50 split would be the lesser of the two evils. Staff concurs that a 50/50 split would be appropriate, and that it might spark renewed interest and dialogue between cities and counties.

*Alex Amoroso, **Regional Housing Needs Determination (RHND) Update, Memo to ABAG Executive Board, May 18, 2000**

Housing Methodology Committee Meeting – September 15, 2006

10:00 a.m. – 1:00 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. Reports and Other Items

Ken Kirkey mentioned that ABAG staff has compiled a list of questions in preparation for HCD's attendance at the September 28th HMC meeting. He requested that committee members review the list of questions and provide feedback to ABAG staff by September 19th. The questions will then be sent to HCD to allow them to prepare materials for their presentation on the 28th.

3. Regional Goals, RHNA Objectives, *Projections* & RHNA Factors

Mr. Fassinger led members in the HMC in a continuation of the discussion of the potential allocation methodology factors. As a framework for the discussion, he outlined the four different parts of the RHNA process that have been a part of the HMC's conversation so far: the determination of the total regional need, development of the allocation methodology, potential legislative changes, and issues related to certification and implementation of housing elements. Mr. Fassinger reminded committee members that the discussion at this stage should focus on the allocation methodology.

Land Use

The committee's discussion of the allocation methodology began by examining the factors related to land uses. Mr. Fassinger noted the difficulty of trying to use allocation factors—which, by their nature, direct growth to certain areas—to direct growth away from open space and agricultural lands. He recommended that the HMC develop an allocation methodology that focuses on developable land and where committee members think growth should go.

Mr. Fassinger proposed that ABAG's policy-based *Projections* forecast be the basis for the allocation, since it takes into account local plans and data about both protected areas and target areas for growth. He noted that the analysis of local General Plans for *Projections* showed that the region has enough land capacity and development potential to accommodate the growth projected through 2035. As a result, local governments should be able to plan for the housing need projected as part of the RHNA process, which only extends through 2014.

Some HMC members expressed concern about the use of the policy-based *Projections* as the basis for RHNA because they felt there has not been enough local buy-in to the regional principles that are now incorporated into *Projections*. Mr. Fassinger acknowledged this concern, but noted that the impacts of

the policies factored into the *Projections* forecast would not occur until 2010. Although this is during the upcoming RHNA period, the initial changes would only incrementally shift more housing growth toward the existing urbanized areas and transit corridors in the region.

Overall, committee members expressed support for using *Projections* as the basis for RHNA. However, they also noted that additional discussion might be necessary after they had a chance to review the draft *Projections* forecasts over the next few weeks. There may also be a need for more detailed information about how land use factors are incorporated into the forecast.

In addition, HMC members requested that the letter accompanying release of the draft *Projections* forecasts expected within the next week highlight the fact that *Projections* will be the basis for the RHNA process and development of Housing Elements. They also asked that the draft numbers be sent to HMC members as well as city managers and county executives.

At this point, some committee members proposed that areas of extreme traffic congestion should receive a lower allocation of housing units, based on the idea that jurisdictions are trying to increase jobs in these areas to reduce the need for commuting. In response, several HMC members raised the question of how to ensure that each jurisdiction does its “fair share” if the allocation methodology were to include these types of perceived barriers to housing development. They pointed out that jurisdictions that were experiencing a lot of growth, and the resulting traffic congestion, often were able to meet or exceed the targets for market-rate housing. As a result, one idea for ensuring a fair distribution of housing units might be to assign jurisdictions a higher proportion of very low- and low-income housing units in return for a lower total allocation.

Mr. Fassinger then led committee members through the rest of the list of potential allocation factors.

Employment

There was general agreement that employment should be a major factor in the allocation methodology. After some discussion, the HMC also agreed that an employment factor should consider both existing jobs and projected job growth. Including job growth focuses on the need to foster a jobs-housing balance for new development, while looking at existing jobs ensures that “bedroom communities” are not penalized for adding jobs to create a better jobs-housing balance.

Mr. Fassinger confirmed that *Projections* takes into account the conversion of industrial and commercial to housing when looking at the potential for job growth. Some committee members expressed an interest in hearing more details about how the jobs numbers are generated in *Projections* if projected jobs will be used as a factor.

The other employment-related factor discussed was home-based jobs. Committee members felt that it was important that these types of jobs are included in any calculations of jobs-housing balance. The basic rationale for home-based jobs as a factor is that they help to reduce traffic congestion. After some discussion, the HMC concluded that the direct impact of home-based businesses on commute patterns could not be determined. For example, a home business may not be an individual’s primary form of employment or a person could have a business, such as consulting, that requires them to travel to other locations for their work. In order to determine whether to include this as a factor, committee members

asked for more data about home-based businesses from the 2000 Census. They also wanted additional data and analysis about commute patterns and jobs-related trips.

Housing

After some discussion, the HMC decided that the statutory factors related to housing should be addressed as part of the allocation of units by income. Committee members decided that all three of these factors—loss of assisted housing units, high cost burdens, and the needs of farmworkers—were issues that are specifically related to providing affordable housing units.

Growth Policies

In terms of growth-related policies, the committee’s discussion focused on city-centered growth policies. Inclusion of this as a factor would largely depend on whether or not the county and the cities within that county have a written policy that directs growth to the cities. Mr. Fassinger pointed out that it was possible for the methodology to distinguish between those counties that have such policies and those that do not.

Mr. Fassinger also proposed that a factor that directs growth to existing urbanized areas and transit would accomplish similar goals and was more broadly applicable throughout the region. There was general support from the HMC for using this factor, with the caveat that its use depends on the quality of the land use data available.

Physical Constraints

The HMC determined that issues related to physical constraints were already included in the *Projections* forecasts (through analysis of local General Plans) and additional factors were not needed in the allocation methodology. Although several local government representatives raised concerns that ABAG may not have the most up-to-date data about their specific constraints, Mr. Fassinger assured them that these data-related issues would be resolved during the review of the draft *Projections* forecast.

Transportation

The HMC expressed support for incorporating a factor to direct growth to areas with public transit services. Committee members also requested more information about how commute patterns and commute sheds might be included in the methodology as well as ideas about potential data sources for this information.

The HMC requested that ABAG staff provide the committee with several possible allocation strategies that incorporate factors related to housing growth, employment, city-centered growth policies, and transportation for the October 12th HMC meeting.

4. Allocation of Income-Based Units

Gillian Adams and Ken Kirkey presented the HMC with background information about the allocation of units by income as well as an overview of some possible methodologies for allocation. Most of the methodologies that have been used in the past represent an attempt to find a balance between assigning units based on the existing need in a jurisdiction and creating an equitable regional distribution of affordable units. The methodologies also sought to ensure that all communities did their “fair share” to meet the affordable housing needs within the region.

The City of Antioch presented an alternative where all jurisdictions would receive units based on the regional income distribution. In this scenario, the existing income distribution within an individual jurisdiction would not be considered.

Antioch City Councilmember James Conley used a comparison between Antioch and San Ramon to show that, although the cities had the same total allocation, Antioch received a much higher allocation of very low income units because of differences in the income distributions within the two jurisdictions. Several HMC members agreed with councilmember Conley that it did not seem equitable for a jurisdiction to receive a higher allocation of very low or low income units if it already had a high proportion of households in these income categories.

The question of how to achieve an equitable regional distribution led to a discussion about whether to use the regional or county-wide median income as the basis for allocations by income. Several committee members supported the use of a county-wide standard because of the wide variation in land costs and the amount of subsidies required to make housing units affordable. In response, others mentioned that building at higher densities was one method for dealing with high land costs and thus, for many jurisdictions, the issue was one of community resistance to higher densities.

In considering the issue of high housing cost burdens, Mr. Fassinger proposed that the allocation might give additional weight to areas with high housing costs, since increased supply might help to alleviate the high costs. During the discussion, several committee members questioned whether the factor was intended to look at high housing prices or the high cost burdens that households face in paying for housing. The idea of a high housing cost burden focuses on the relationship between housing costs (rents and sales prices) and the incomes of the people paying for housing. For example, a high housing cost does not necessarily represent a burden if the costs are high, but residents also have high incomes.

The federal government and HCD use a commonly accepted standard that a household should not pay more than 30 percent of its income for housing, based on the assumption that paying a higher proportion of this amount limits the ability of the household to pay for other necessities, such as food, transportation, and health care. Thus, a high cost burden generally refers to those households that pay more than 30 percent of their income for housing. Some committee members felt that this “30 percent” standard was no longer valid because many households pay more than this proportion of their income for housing and the standards for receiving a mortgage had become more flexible in recent years.

Given the fact that a high housing cost burden is based on the relationship between housing costs and incomes, several committee members asked whether it might be possible to look at the spatial relationship between jobs that pay certain wages and the housing in nearby areas. Locating income-based housing units near jobs that pay similar wages might be one way to encourage a jobs-housing that reduces commuting and traffic congestion.

In addressing the needs of farmworkers, committee members had questions about whether the population forecasts used by HCD and ABAG include seasonal workers, or only permanent workers. Others commented that the needs of farmworkers are already addressed in the estimates of need for very low income households.

The HMC asked ABAG staff to look for more information about high housing cost burdens, jurisdiction-level data about incomes, and how farmworkers are counted. They also wanted staff to develop income allocation scenarios based on:

- ABAG’s methodology for 1999-2006, using both a regional and a county-wide area median income
- Giving each jurisdiction an “equal” share based on both the regional and county-wide income distribution

5. Sphere of Influence Issues

Councilmember Gwen Regalia of the City of Walnut Creek began this discussion by highlighting some of the concerns related to RHNA and spheres of influence (SOI). In the 1999-2006 RHNA, in order to encourage growth in existing urbanized areas, cities were assigned responsibility for 75 percent of the housing need allocated to their SOI. However, this posed a problem for some cities because they do not have any control over the development that occurs in the unincorporated areas before they are annexed by the city. In addition, there were conflicts about which jurisdiction would get credit for developing housing in the SOI.

During the discussion, it became clear that the relationship between cities and counties in regard to SOI was different in each county. As a result, most committee members were in favor of developing different SOI policies for each county.

Next Steps:

Committee members requested that ABAG staff undertake the following actions:

- Revise the list of questions for HCD based on feedback from committee members.
- Look for additional information about home-based jobs, commute patterns and commute sheds for use in the methodology.
- Provide additional information about how jobs numbers are generated in *Projections*
- Develop sample allocation methodologies using factors related to housing growth, employment, city-centered growth policies, and transportation for the October 12th HMC meeting.
- Look for additional information about high housing cost burdens, jurisdiction-level data about incomes, and how farmworkers are counted.
- Develop income allocation scenarios based on:
 - ABAG’s methodology for 1999-2006, using both a regional and a county-wide area median income.
 - Giving each jurisdiction an “equal” share based on both the regional and county-wide income distribution.

The next Housing Methodology Committee meeting is September 28th, 2006 from 10 a.m. – 12 p.m.