

M E M O

To: ABAG Executive Board
From: ABAG Staff
Date: October 26, 2006, *Revised November 17, 2006*
Re: *Draft Regional Housing Needs Allocation Methodology*

Recommendation

Staff recommends that the ABAG Executive Board adopt Resolution 13-06 authorizing release of the Housing Methodology Committee's recommendation for a proposed Regional Housing Needs Allocation Methodology (RHNA) for the 2007-2014 period. Upon release, a not less than 60-day public comment period on the methodology will begin. The comment period will close on January 18, 2007. On that date, staff will bring to the Executive Board recommendations for the final methodology. The final methodology shall include responses to all comments received on the draft RHNA methodology and reasons for any significant changes.

Background

As the region's Council of Governments, ABAG is responsible for allocating the state-determined regional housing need to all jurisdictions in the Bay Area. The HMC was established in May 2006 to assist staff in developing a recommended methodology for allocating the regional need for adoption by the ABAG Executive Board. The HMC was comprised of local elected officials, city and county staff, and stakeholder representatives.

Regional Housing Needs Allocation Process

The Regional Housing Needs (RHN) process is a state mandate regarding planning for housing in California. The state, regional and local governments each have a role to play. Local governments have autonomy in planning for exactly how and where housing will be developed in their individual communities. The amount of housing cities and counties must plan for, however, is determined through the interplay of state, regional and local housing policy.

The State of California requires that all jurisdictions in the state update the Housing Elements of their General Plans. Housing Elements serve as the local plan for how a jurisdiction will meet its share of the region's housing need. The State of California, via the Housing and Community Development Department (HCD), determines each region's need for housing, primarily based on estimated population growth. COGs then allocate that need, for all income groups, amongst jurisdictions. Jurisdictions then plan for that need in their housing elements, which are state-certified by HCD.

RHNA Methodology Recommendation

The regional housing needs allocation methodology is the tool used to assign each jurisdiction in the Bay Area its share of the region's total housing need. The actual tool is a mathematical equation that consists of weighted factors. There are also a set of "rules" that dictate how units will be allocated by income, within spheres of influence, voluntary transfer of units, and subregions. The HMC's recommendation encompasses these distinct components of the methodology.

In their recommendation, the HMC members considered local land use plans and policies, regional growth policies and the state's housing policies, as expressed in the state mandated RHNA objectives. Additional information on how these recommendations were derived is contained in the attached report.

1. Weighted Factors

Factors in the allocation methodology are the mathematical variables that allocate shares of the regional housing need (RHN). The factors reflect: 1) state mandated RHNA objectives; 2) RHNA statutory requirements; 3) local policy and 4) regional policy. In the methodology, each factor is given priority relative to the others. Priority is established through “weighting” in the formula. For example, if one of the factors, household growth, is determined to be more important than another factor, e.g., transit, the methodology can give household growth a higher weight than transit in the formula. The methodology may also equally weight the factors, therefore ensuring that all the factors are of equal priority.

A. Household Growth, 40 Percent

Each local jurisdiction should plan for housing according to regionally projected household growth within its boundaries during the RHNA planning period (2007 – 2014). Household growth should be weighted 40 percent in the allocation. Household growth is used as a factor, as opposed to existing households or total households, to ensure that additional housing is not allocated where there are existing concentrations of homes in the region, but rather where growth is anticipated to occur. In this way household growth as a factor in the methodology ensures that the allocation is consistent with both local plans for growth and with regional growth policies, as those areas that are planning for household growth would receive a higher allocation than those areas not planning for growth. Household growth in ABAG’s *Projections* is most influenced by local land use plans and policies, including planned and protected agricultural lands, open space and parks, city-centered growth policies, urban growth boundaries, and any physical or geological constraints.

Regional policies have been incorporated into *Projections* since 2002, are assumed to go into effect by 2010, and therefore have some effect on regional housing growth estimates in the 2007-2014 RHNA period. Regional policies assume that there will be increased housing growth in existing urbanized areas, near transit stations and along major public transportation corridors. These regional policies are consistent with state housing policies to promote infill development, environmental and agricultural protection and efficient development patterns.

B. Existing Employment, 20 Percent; Employment Growth, 20 Percent

Each local jurisdiction should plan for housing to accommodate existing employment (2007) and regionally projected employment growth within its boundaries during the RHNA planning period (2007 – 2014). This would ensure that the need allocation gives jurisdictions with both existing concentrations of jobs and planned job growth a share of the regional housing need. This would direct housing to existing job centers and to areas with anticipated employment growth. These jobs allocation factors may address regional jobs-housing imbalance and facilitate access by proximity, for housing would be directed to communities with jobs and planned jobs, which may reduce vehicle miles traveled due to reduced inter- and intra-regional commuting.

C. Household Growth near Transit, 10 Percent; Employment Growth near Transit, 10 Percent

Each local jurisdiction with an existing or planned transit station should plan for more housing near such stations. Current regional policy places incrementally more growth along major transportation corridors and at transit stations. Therefore, a housing need allocation that uses regional housing growth and employment as factors would be inclusive of “transit” as a policy issue. Using transit as a

direct factor in the methodology would give transit a greater degree of policy weight. Those jurisdictions with transit, existing and planned, would receive a relatively higher proportion of the housing needs allocation than those jurisdictions without existing or planned transit. The inclusion of “planned” transit in the methodology could potentially give a relatively higher allocation to an area where the planned transit does not materialize. However, if housing is built at appropriate densities before transit is put in place, the transit investment may become more financially feasible, for projected ridership would be higher.

2. Regional Income Allocations

Each local jurisdiction should plan for income-based housing in the same ratio as the regional average income distribution. A methodology that assigns each jurisdiction’s regional housing need based on the regional average income distribution would be an “equal share” approach because it applies the same income distribution to each jurisdiction. Although considered an equitable approach, it does not consider existing concentrations of poverty.

3. Spheres of Influence

Each local jurisdiction with the land-use permitting authority in a “Sphere of Influence” should plan for the housing needed to accommodate housing growth, existing employment and employment growth in such “Sphere of Influence” areas. Except for Marin County, where a 75 city and 25 county distribution is recommended, a 100 percent allocation of the housing need to the jurisdiction that has land use control over the area would ensure that the jurisdiction that plans for accommodating the housing units also receives credit for any built units during the RHNA period.

4. Transfer of Units

After the initial allocation of the regional housing need, a local jurisdiction may request approval to transfer units with willing partner(s), in a way that maintains total need allocation amongst all transfer parties, maintains income distribution of both retained and transferred units, and includes package of incentives to facilitate production of housing units. This transfer rule would allow the transfer of allocated housing need between willing jurisdictions in conjunction with financial resources, while maintaining the integrity of the state’s RHNA objectives by preventing any jurisdiction from abdicating its responsibility to plan for housing across all income categories. Transfers done in this manner may facilitate increased housing production in the region.

5. Subregions

The County of San Mateo, in partnership with all twenty cities in the county, has formed a subregion, as allowed by state statute. ABAG will assign a share of the regional need to the subregion “in a proportion consistent with the distribution of households” in *Projections 2007*. The subregion is then responsible for completing its own RHNA process that is parallel to, but separate from, the regional RHNA process. The subregion will create its own methodology, issue draft allocations, handle the revision and appeal processes, and then issue final allocations to the members of the subregion. The rules on how to handle the subregion allocation in the event the subregion fails are contained in the attached RHNA technical document.

Planning Housing in the San Francisco Bay Area

Draft Regional Housing Needs Allocation Methodology, 4th Revision



Technical Documentation

November 2007



ABAG

Introduction

The Regional Housing Needs Allocation (RHNA) process is a state mandate on planning for housing in California. The state, regional and local governments each have a role to play. Local governments have autonomy in planning for exactly how and where housing will be developed in their individual communities. The amount of housing cities and counties must plan for, however, is determined through the interplay of state, regional and local housing policy.

Periodically, the State of California requires that all jurisdictions in the state update the Housing Element of their General Plans. Within these Housing Elements, the state mandates that local governments plan for their share of the region's housing need, for people of all income categories. In the case of the San Francisco Bay Area, ABAG, as the region's Council of Governments, and the State Housing and Community Development Department (HCD), determines the region's need for housing. This determination of need is primarily based on estimated population growth. ABAG then allocates that need, for all income groups, amongst jurisdictions. The jurisdictions then plan for that need in their local housing elements, which are eventually state-certified by HCD.

This technical document details the process for developing the draft Regional Housing Needs Allocation, describes the Housing Methodology Committee's allocation methodology recommendations and rationale for each component, and offers information on ABAG's *Projections*.

- I. RHNA Schedule
- II. RHNA State Goals & Regional Policy
- III. Statutory Factors & Survey of Factors
- IV. The Housing Methodology Committee
- V. Draft Allocation Methodology
- VI. Regional Projections

I. RHNA Schedule

On September 29, 2006, ABAG received approval of a two-year extension for completing the RHNA process from the Department of Housing and Community Development (HCD). The following milestones are consistent with that two-year extension:

- **November 16, 2006:** Adoption of draft allocation methodology by ABAG Executive Board; start of a 60-day public comment period
- **January 18, 2007:** ABAG Executive Board adopts final methodology
- **March 1, 2007:** Determination of regional housing need
- **June 30, 2007:** Release of draft allocations
- **June 30, 2008:** Release of final allocations
- **June 30, 2009:** Housing element revisions due to HCD

II. RHNA State Goals & Regional Policy

There are four statutory objectives of RHNA. As shown below, these objectives include increasing housing supply, affordability, and housing types; encouraging efficient development and infill; promoting jobs-housing balance; and reducing concentrations of poverty.

These objectives are consistent with the Bay Area’s regional policies regarding growth. Following the *Smart Growth Strategy/Regional Livability Footprint Project* that was completed in 2002, ABAG’s Executive Board resolved to use these regional policies as the basis for *Projections*. Since that decision, *Projections* assumes that, over time, local land use policies will move the region closer toward regional policies.

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

RHNA Objectives	Regional Policies
(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	<ul style="list-style-type: none"> • Support existing communities • Create compact, healthy communities with a diversity of housing, jobs, activities, and services to meet the daily needs of residents • Increase housing affordability, supply and choices • Increase transportation efficiency and choices • Protect and steward natural habitat, open space, and agricultural land • Improve social and economic equity

<p>between jobs and housing.</p> <p>(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.</p>	<ul style="list-style-type: none"> • Promote economic and fiscal health • Conserve resources, promote sustainability, and improve environmental quality • Protect public health and safety
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III. Statutory Factors & Survey of Factors

1. Statutory Factors

The RHNA statutes delineate specific factors that the HMC had to consider for inclusion in the allocation methodology, including:

- Water and sewer capacity
- Land suitable for urban development or conversion to residential use
- Protected open space – lands protected by state and federal government
- County policies to protect prime agricultural land
- Distribution of household growth
- Market demand for housing
- City-centered growth policies
- Loss of affordable units contained in assisted housing
- High housing cost burdens
- Housing needs of farm workers
- Impact of universities and colleges on housing needs in a community

With the advice of the HMC, ABAG staff considered how to incorporate the statutory factors into the allocation methodology, how to allocate units by income, and how to address issues such as spheres of influence, the relationship to subregions, and voluntary transfers of housing units between jurisdictions. Their goal has been to develop an allocation methodology that is consistent with the RHNA objectives and statutory requirements while also reflecting local conditions and the regional goals for growth.

See **Section IV. 1. Weighted Factors** for a detailed description of how the factors are included in the recommended methodology.

2. Survey of Factors

On September 15, 2006, ABAG sent a memorandum and survey form to each planning director of every local jurisdiction in the region. The memorandum explained the use of factors in the RHNA allocation methodology, described the status of the HMC's deliberations, set forth the criteria for using a factor in the methodology, and solicited local input on the statutory factors and suggestions for additional factors. ABAG received responses from 42 local jurisdictions (A detailed summary of survey responses is available at <http://www.abag.ca.gov/planning/housingneeds> or by contacting ABAG staff.)

The Governor signed AB 2572 into law on September 29, 2006. The legislation adds a statutory factor: housing needs generated by the presence of a private university or a campus of the California State University or the University of California.

The HMC concluded that student populations need not be added as an explicit factor in the allocation methodology. The reason is that the existence of universities and resulting student populations are included in ABAG’s household population estimates. Therefore, ABAG will circulate its explanation of the effects of this factor and a survey form for this factor during the review period of the draft methodology. Responses will be due in time for ABAG staff to evaluate them and to make any necessary changes to the methodology.

The 42 survey responses varied widely. Many commented on the HMC deliberations, supporting or opposing specific measures under consideration, and offering alternative methodological approaches. Others commented on the existing and near-term market conditions for housing in their jurisdictions.

The comments that focused on how specific factors should be explicitly considered in the methodology can be summarized as follows:

Summary Survey Responses

1. Jobs/Housing Relationship	
(a) use employed residents to measure jobs/housing balance	3
(b) take into account home based businesses/employment	1
(c) use commute shed to assess jobs/housing balance	2
2. Constraints due to Sewer/Water/Land Capacity	
(a) respondents identified specific sewer/water constraints	2
3. Public Transit/Transportation Infrastructure	
(a) respondents confirmed they were planning for TOD	5
4. Market Demand for Housing	0
5. City-Centered Development	
(a) described local city-centered policies	6
(b) described specific policies, agreements, etc., on development in spheres of influence (SOI)	7
(c) stated there were no written agreements on SOIs	1
6. Loss of Assisted Housing Units	
(a) identified at risk units at varying degrees of specificity	10
(b) do not use as a factor	1
7. High Housing Cost Burden	
(a) use CHAS data	1
8. Housing Needs of Farmworkers	
(a) identified local efforts for farmworker housing	4
9. Others	
(a) use congestion levels	1
(b) reward past performance in meeting RHNA goals	1
(c) RHNA allocation should at least equal planned growth	1

Several of the possible allocation factors proposed in the surveys were considered by the HMC, but not explicitly incorporated in the draft methodology. These factors include those related to:

- Jobs-housing balance: 1(a) – (c)
- Sewer/water constraints: 2
- City-centered development: 5(a) – (c)
- Loss of assisted housing units: 6
- High housing cost burdens: 7
- Housing needs of farm workers: 8
- Traffic congestion: 9(a)
- Rewards for past RHNA performance: 9(b)

The HMC has included the following suggested RHNA factors as explicit components of the draft methodology but may not have used them in precisely the way suggested by the respondents:

- Public transit/transportation infrastructure: 3

The HMC did not consider 9(c).

In each instance where a respondent described specific localized data in support of its response to a survey question, e.g., 2, 6(a) and 8(a), the respondent did not identify sources for comparable data for other jurisdictions. Therefore, staff could not conclude that the proffered factor met the statutory requirement for comparability and availability. Consequently, the proposed factor was not used.

IV. Housing Methodology Committee

As the region's Council of Governments, ABAG is responsible for allocating the state-determined regional housing need to all jurisdictions in the Bay Area. The HMC was established in May 2006 to assist staff in developing a recommended methodology for allocating the regional need for adoption by the ABAG Executive Board. The HMC was comprised of local elected officials, city and county staff, and stakeholder representatives from each county in the region. It includes members from each county so that it adequately represents the entire region.

The members of the Housing Methodology Committee were:

Barbara Kondylis, Supervisor, District 1 (Solano), ABAG Executive Board
Scott Haggerty, Supervisor, District 1 (Alameda), ABAG Executive Board
Jeffery Levine, Housing Department, City of Oakland, Alameda
Jennifer Hosterman, Mayor, City of Pleasanton, Alameda
Dan Marks, Director of Planning & Development, City of Berkeley, Alameda
Julie Pierce, Council Member, City of Clayton, Contra Costa
Phillip Woods, Principal Planner, City of Concord, Contra Costa
Gwen Regalia, Council Member, City of Walnut Creek, Contra Costa
Linda Jackson, Principal Planner, City of San Rafael, Marin
Paul Kermoyan, Community Development Dir., City of Sausalito, Marin

Stacy Lauman, Assistant Planner, County of Marin, Marin
 Jean Hasser, Senior Planner, City of Napa, Napa
 Diane Dillon, Supervisor, County of Napa, Napa
 Howard Siegel, Community Partnership Mgr., County of Napa, Napa
 Amit Ghosh, Assistant Planning Director, San Francisco, San Francisco
 Doug Shoemaker, Mayor's Office of Housing, City of San Francisco, San Francisco
 Amy Tharp, Director of Planning, City of San Francisco, San Francisco
 Duane Bay, Housing Director, San Mateo County, San Mateo
 Andrea Ouse, City Planner, Town of Colma, San Mateo
 Mark Duino, Planner, San Mateo County, San Mateo
 Laurel Prevetti Deputy Dir., Planning, Building and Code Enforcement, City of San Jose, Santa Clara
 Regina Brisco, Housing Planner, City of Gilroy, Santa Clara
 Steve Piasecki, Planning Director, City of Cupertino, Santa Clara
 Matt Walsh, Principal Planner, Solano County, Solano
 Chuck Dimmick, Councilmember (Vacaville) Solano City/County Coord. Council, Solano
 Eve Somjen, Assistant Director, City of Fairfield, Solano
 Mike Moore, Community Development Dir., City of Petaluma, Sonoma
 Jake MacKenzie, Council Member, City of Rohnert Park, Sonoma
 Jennifer Barrett, Deputy Director – Planning, County of Sonoma, Sonoma
 Geeta Rao, Policy Director, Nonprofit Housing of Northern California, Stakeholder
 Kate O'Hara, Regional Issues Organizer, Greenbelt Alliance, Stakeholder
 Margaret Gordon, Community Liaison, West Oakland Indicators Project, Stakeholder
 Andrew Michael, Vice President, Bay Area Council, Stakeholder
 Paul B. Campos, VP, Govt. Affairs & Gen. Counsel, Home Builders Association, Stakeholder

V. The Regional Needs Allocation Methodology

The RHNA methodology assigns each jurisdiction in the Bay Area its share of the region's total housing need. The methodology includes an allocation tool that is a mathematical equation that consists of weighted factors. There are also "rules" regarding allocation of units by income, how to handle units in spheres of influence, voluntary transfers of units, and subregions. The draft methodology encompasses these distinct components of the methodology.

In their recommendation, the HMC members considered local land use plans and policies, regional growth policies and the state's housing policies, as expressed in the state mandated RHNA objectives.

1. Weighted Factors

Factors in the allocation methodology are the mathematical variables that partly determine how the regional housing need (RHN) is allocated to local jurisdictions. The factors reflect: 1) state mandated RHNA objectives; 2) RHNA statutory requirements; 3) local policy and 4) regional policy.

In the methodology, each factor is given priority relative to the others. Priority is established through "weighting" in the formula. For example, if one of the factors, e.g., household growth, is determined to be more important than another factor, e.g., transit, the methodology can give household growth a higher weight than transit in the formula. The methodology may also equally weight the factors, therefore ensuring that all the factors are of equal priority.

The factors and weights (expressed in parenthesis) recommend by the HMC are:

- Household growth (40%)
- Existing employment (20%)
- Employment growth (20%)
- Household growth near existing and planned transit (10%)
- Employment growth near existing and planned transit (10%)

Household growth, existing employment, and employment growth are estimated in ABAG's regional household and employment forecasts, *Projections*.

A. Household Growth, 40 percent

Each local jurisdiction should plan for housing according to regionally projected household growth within its boundaries during the RHNA planning period (2007 – 2014). Household growth should be weighted 40 percent in the allocation.

The use of housing as a RHNA factor represents consistency with local, regional, and state policies regarding where housing growth will and should occur in the region. Where and how much housing growth will occur in the region is estimated by ABAG's forecasting model, as documented in *Projections*. Specifically, household growth is based on: 1) local land use policies and plans; 2) demographic and economic trends, such as migration, birth and death rates, housing prices, and travel costs; and 3) regional growth policies.

Household growth in ABAG's *Projections* is most influenced by local land use plans and policies, including planned and protected agricultural lands, open space and parks, city-centered growth policies, urban growth boundaries, and any physical or geological constraints.

Regional policies incorporated into *Projections* since 2002, are assumed to go into effect by 2010, and therefore have some effect on regional housing growth estimates in the 2007-2014 RHNA period. Regional policies assume that there will be increased housing growth in existing urbanized areas, near transit stations and along major public transportation corridors. These regional policies are consistent with state housing policies to promote infill development, environmental and agricultural protection and efficient development patterns.

The impacts of regional policy assumptions in *Projections* are: a) potential environmental and agricultural resource protection by directing growth away from existing open and agricultural lands; b) the encouragement of efficient development patterns through increased infill development and higher densities in existing communities; and c) the potential for increased transportation choices, e.g., walking and public transit, through more housing development near transit and jobs.

The household estimates in *Projections* account for all people living in housing units, including students. Thus, the portion of the student population that occupies part of a local jurisdiction's housing stock is counted as such and as a source of future household formation. The portion of the student population that occupies "group quarters," such as college dormitories, are not included in household population counts. This is consistent with state policy regarding RHNA that excludes "group quarters" from being counted as housing units.

Household growth is used as a factor, as opposed to existing units or total units, to ensure that additional housing is not planned where there are existing concentrations of homes in the region, but rather where growth is anticipated to occur. In this way household growth as a factor in the methodology ensures that the allocation is consistent with both local plans for growth and with regional growth policies, as those areas that are planning for household growth would receive a higher allocation than those areas not planning for growth.

B. Employment, 40 percent (Existing Employment, 20 percent; Growth, 20 percent)

Each local jurisdiction should plan for housing to accommodate existing employment (2007) and regionally projected employment growth (2007-2014) within its boundaries during the RHNA planning period.

This would ensure that the need allocation gives jurisdictions with both existing concentrations of jobs and planned job growth a share of the regional housing need. This would direct housing to existing job centers and to areas with anticipated employment growth. These jobs allocation factors may be effective in addressing regional jobs-housing imbalance. These factors would also facilitate access by proximity, for housing would be directed to communities with jobs and planned jobs, which may reduce vehicle miles traveled due to reduced inter- and intra-regional commuting.

As a factor, employment has the ability to assign regional housing needs to jurisdictions in a way that provides a better balance between housing and employment. In the Bay Area, as in many metropolitan areas, employment centers have historically not produced enough housing to match job growth. Limited housing production near existing jobs and in areas with continued employment growth has escalated Bay Area housing costs and has triggered increased housing production in outlying Bay Area communities and in surrounding counties, including San Joaquin, Stanislaus, and San Benito. This has led to longer commutes on increasingly congested freeways, inefficient use of public transportation infrastructure and land capacity, and negative impacts on health, equity, air quality, the environment and overall quality of life in the Bay Area.

In the allocation methodology, employment can be used in varying degrees of aggressiveness to address regional jobs-housing imbalance. The HMC considered three options: 1) employment growth, 2) existing jobs (2007) and 3) total jobs in the RHNA period (existing jobs in 2007 and growth from 2007 to 2014). Employment growth as a factor would assure that jurisdictions that are planning for employment growth also plan for commensurate housing. However, this would be ineffective in addressing historic regional jobs-housing imbalances, and therefore it is the least aggressive option. Existing jobs as an allocation factor would give relatively higher allocations to existing job centers and would therefore be the most aggressive toward historic jobs-housing imbalances; however it does not take into account future job growth. Total jobs as a factor would give relatively higher allocations to both jurisdictions that are currently job centers and those with planned job growth. Therefore, this is a moderately aggressive approach relative to the other two options.

The HMC recommends a balance between the least and most aggressive options by separately weighting employment growth and existing employment. This would attempt to address historic jobs-housing imbalances and would seek to avert future imbalances. While an aggressive approach, it is relatively less aggressive than the use of total jobs as a factor. A total jobs factor would primarily direct growth to existing job centers, which would receive

the entire 40 percent weight for employment, as opposed to the 20 percent recommended weight.

Existing Employment, 20 Percent

The location and amount of existing jobs in the region is estimated by ABAG's forecasting model, as documented in *Projections*. Specifically, existing employment is based on: 1) existing regional and local job data, and 2) regional and local economic trends, attractiveness of commercial/industrial locations, including labor force costs, housing prices, travel costs, access to potential employees, markets, and similar businesses.

The inclusion of existing employment as a RHNA factor ensures that regional housing need is allocated in a manner consistent with regional policies and state RHNA objectives. Planning for more housing in communities with existing jobs can address historic jobs-housing imbalances. More housing in existing job centers may also encourage infill and efficient development patterns through higher densities in existing communities. There is also the potential for reduced inter- and intra-regional vehicle miles traveled and shorter commutes, as more housing would be planned in proximity to existing jobs. More housing near jobs may also encourage alternative modes of travel, including walking and public transportation, as most existing jobs centers in the region are also transit rich. Planning for housing near existing jobs also places less development pressure on outlying areas, especially in rural areas with agricultural lands and protected open space.

Employment Growth, 20 Percent

The location and amount of employment growth in the region is projected by ABAG's forecasting model, as documented in *Projections*. Specifically, employment growth is based on: 1) local land use policies and plans; 2) economic trends, such as national and regional industrial assumptions, attractiveness of commercial/industrial locations, including labor force costs, housing prices, travel costs, access to potential employees, markets, and similar businesses; and 3) regional policy.

Inclusion of local land use policies and plans and economic trends in ABAG's employment growth forecast ensures that the use of employment growth as a RHNA factor is consistent with local policies, plans, and local capacity for job growth. Employment growth in *Projections* considers all the land protection and growth policies, physical constraints, and the employment-related factors identified by the state and the HMC for inclusion in the allocation methodology, including existing jobs centers, home-based businesses, employed residents, housing prices, household income and employment at private universities, and campuses of the California State University and the University of California.

The inclusion of employment growth as a RHNA factor ensures that the regional housing need is allocated to areas where job growth is forecasted to occur during the RHNA period. These areas would have the responsibility of providing housing for the additional jobs that are added to the region. These areas are typically served by the region's transit infrastructure. Matching housing to jobs would still have the potential for reducing vehicle miles traveled and encouraging alternative modes of travel. This employment factor would place housing in existing communities, but would place less of the housing in the most urbanized cities in the region.

As with household growth, inclusion of regional policies in ABAG's *Projections* ensures that the use of employment growth as a RHNA factor is consistent with both state and regional policies regarding growth, infill development, and efficient use of land. This is because

regional policies in *Projections* assume that relatively more job growth will occur in existing urbanized communities and near transit, while less growth is projected in outlying communities with no transit infrastructure, including those with agricultural areas and open space. In addition, regional assumptions would promote greater use of public transportation through increased job development near transit.

C. Household Growth near Transit, 10 Percent; Employment Growth near Transit, 10 Percent

Each local jurisdiction with an existing or planned transit station should plan for more housing near such stations. As a factor, “household growth near transit” allocates 10 percent of the regional housing need to jurisdictions based on their forecasted household growth near existing or planned transit stations. As a factor, “employment growth near transit” allocates 10 percent of the regional housing need to jurisdictions based on their forecasted employment growth near existing or planned transit stations.

Transit is defined as areas with fixed-alignment public transit, both existing and planned. The transit services included are: Altamont Commuter Express (ACE), Bay Area Rapid Transit (BART), Caltrain, San Francisco MUNI light rail, and Santa Clara Valley Transportation Authority (VTA) light rail, and ferries. Planned transit stations include all fixed transit stations in the Metropolitan Transportation Commission’s Regional Transportation Plan, Track One.

Growth near transit is defined as household or employment growth within one-half mile of an existing or planned transit station, but eliminating any overlap between stations located within one mile of each other.

Incorporating a transit factor directly into the methodology would, in effect, give extra weight to this state and regional objective. This is because a transit-based policy is already incorporated into ABAG’s policy-based *Projections*. Current regional policy places incrementally more growth along major transportation corridors and at transit stations. Therefore, a housing need allocation that uses regional housing growth and employment as factors would indirectly include “transit” as a policy issue in the allocation methodology. Using transit as a direct factor in the methodology would give transit a greater degree of policy weight. Those jurisdictions with transit stations, existing and planned, would receive a relatively higher proportion of the housing needs allocation than those jurisdictions without existing or planned transit stations.

Despite some objections, the HMC recommends that transit be used as a direct factor. This was due, in part, to the expectation that impacts of the policy assumptions in *Projections* will not begin to take effect until 2010. Directing growth to areas with public transit in the allocation methodology would ensure that this regional policy influences development patterns during the 2007-2014 RHNA period.

Use of these factors would address the state RHNA objectives and regional goals of encouraging the use of public transit and the efficient use of transportation infrastructure. Directing housing need to areas near transit would also promote infill development, as existing transit stations are primarily in existing urbanized areas in the region.

The effect of the addition of planned transit stations in the allocation methodology is that a relatively higher share of the regional allocation is given to jurisdictions that will receive

investments for public transportation. Inclusion of planned stations gives communities that will have new transit stations an opportunity to ensure that they plan sufficient housing to support the extension of transit services. In addition, given the long time-frame for implementation of service extensions, it makes sense to begin the land use planning around proposed stations before the transit stations are put in place. This is in support of both state and regional policies to ensure efficient use of transportation infrastructure and to encourage increased transit use. There is a multitude of data supporting the theory that higher population densities have a net positive impact on transit ridership.

The HMC was divided in its support for including a transit, and particularly planned transit, as part of the allocation methodology. Many of the committee members believed that the regional growth policies embedded in *Projections* sufficiently addressed both state and regional policies promoting transit use and efficient use of transportation infrastructure. It was felt by some members that having transit as a direct factor would give too much weight to transit and would also unfairly burden communities with both existing and planned transit. Planned transit was also contentious because some of the planned transit stations included in MTC's Regional Transportation Plan may not be built, including many of the e-BART stations planned for eastern Contra Costa County. However, others on the HMC felt that if housing is built at appropriate densities before transit is put in place, the transit investment may become more financially feasible, for projected ridership would be higher.

D. The Allocation Formula

The household growth, employment and transit factors are weighted together to create an allocation formula. Each factor describes a jurisdiction's "share" of a regional total. For example, if the region expects to grow by 100 households, and one city in the region is to grow by 10 households in the same period, then that city's "share" of the region's growth is 10 percent.

A jurisdiction's share of the Regional Housing need is assigned according to its percentage share of regional:

$$\text{(Household Growth x .40) + (Employment Growth x .20) + (Existing Employment x .20) + (Household Growth near Transit x .10) + (Employment Growth near Transit x .10)}$$

Growth is during the RHNA planning period (2007 - 2014). The transit factors refer to growth that occurs within ½ mile of planned or existing fixed transit stations in the jurisdiction. Planned stations are those in the RTP 2005 - Track 1.

2. Regional Allocations of Housing Units based on Affordability

There are two primary goals of the RHNA process: 1) increase the supply of housing and 2) ensure that local governments consider the housing needs of persons at all income levels.

The HMC recommends that each local jurisdiction should plan for income-based housing in the same ratio as the regional average income distribution (as described by the 2000 Census). A methodology that allocates each jurisdiction's regional housing need based on the regional average income distribution would be an "equal share" approach because it applies the same income distribution to each jurisdiction. Although considered an equitable approach, it does not consider existing concentrations of poverty.

The following income allocation of regional housing needs to jurisdictions is recommended:

- **Very Low, 23 Percent**
Households with income up to 50 percent of the county's area median income (AMI)
- **Low, 16 Percent**
Households with income between 50 and 80 percent of the county's AMI
- **Moderate, 19 Percent**
Households with income between 80 and 120 percent of the county's AMI
- **Above-Moderate, 42 Percent**
Households with income above 120 percent of the county's AMI

This recommendation is based on the recognition that the need for affordable housing is a problem shared by the region as a whole, and is not localized to specific jurisdictions. By assigning every community an equal share of the regional need for affordable units, the methodology promotes the idea that every jurisdiction should do its "fair share" to provide housing.

During the discussion of the income-based allocation, some HMC members expressed concern that a potential drawback of the proposed "equal share" strategy is that it might allocate affordable housing to jurisdictions that are less likely to build the units. If this were the case, the income allocation would therefore hinder the region's ability to provide enough housing affordable to meet the region's housing needs. However, there was general agreement that the benefits of this approach outweighed the potential negative impact. In addition, the HMC members felt that this issue could be worked out through the provisions in the methodology that allow for voluntary transfer agreements between individual jurisdictions.

The HMC discussed the possibility of using the proportion of households with a high housing cost burden in a jurisdiction to adjust the income allocation for each jurisdiction. As a result, areas with higher numbers of households with a cost burden would receive a larger share of affordable units. This factor is based on the premise that directing more affordable housing units to these jurisdictions would provide more housing options to residents in those areas.

However, the HMC was opposed to adjusting allocations based on high housing cost burdens because there was concern that, as noted above, including a factor based on existing conditions in a jurisdiction would ultimately lead to the over-concentration of low-income households in an area. In addition, committee members were committed to the idea that the need for affordable housing is a regional problem that each local government should have an equal share in addressing.

3. Spheres of Influence

Every city in the Bay Area has a "sphere of influence (SOI)". A city's SOI can be either contiguous with or beyond the city's boundaries. It is the areas that the city is responsible for planning, as it is the probable future boundary of the city, including areas that may eventually be annexed by the city. The SOI is designated by the county Local Area Formation Commission (LAFCO). The LAFCO influences how government responsibilities are divided among jurisdictions and service districts within a county. If there is planned household or employment growth within the unincorporated portion of an SOI during the RHNA period, the allocation methodology must include a rule for allocating housing needs to the affected city or county.

Therefore, the HMC recommends that each local jurisdiction with the land-use permitting authority in a SOI should plan for the housing needed to accommodate housing growth, existing employment and employment growth in such areas. A 100 percent allocation of the housing need to the jurisdiction that has land use control over the area would ensure that the jurisdiction that plans for accommodating the housing units also receives credit for any built units during the RHNA period.

There are differences in whether a city or county has jurisdiction over land use and development within unincorporated SOIs. In response to these variations, the HMC recommends the following SOI rules:

1. In Napa, Santa Clara, Solano, and Sonoma Counties, the allocation of housing need generated by the unincorporated SOI will be assigned to the cities.
2. In Alameda and Contra Costa Counties, the allocation of housing need generated by the unincorporated SOI will be assigned to the county.¹
3. In Marin County, 75 percent of the allocation of housing need generated by the unincorporated SOI will be assigned to the city; the remaining 25 percent will be assigned to the county.

The HMC recognizes that, although these guidelines reflect the general approaches to SOIs in each county, adjustments may be needed to better reflect local conditions. Requests for SOI allocation adjustments may arise during the RHNA comment or revision period. Therefore, the HMC recommends that the methodology include the following criteria for handling such requests:

1. Adjustments to SOI allocations shall be consistent with any pre-existing written agreement between the city and county that allocates such units, or
2. In the absence of a written agreement, the requested adjustment would allocate the units to the jurisdiction that has permitting authority over future development in the SOI.

4. Transfer of Units

After the initial allocation, each local jurisdiction may request that it be allowed to transfer units with willing partner(s), in a way that maintains total need allocation amongst all transfer parties, maintains income distribution of both retained and transferred units, and includes a package of incentives to facilitate production of housing units. This transfer rule would allow the transfer of allocated housing need between willing jurisdictions in conjunction with financial and non-financial resources, while maintaining the integrity of the state's RHNA objectives by preventing any jurisdiction from abdicating its responsibility to plan for housing across all income categories. Transfers done in this manner may facilitate increased housing production in the region.

The HMC recommends the following criteria for responding to requests for revisions that transfer units among local jurisdictions:

¹ The County of San Mateo (formed a RHNA subregion) and the City and County of San Francisco (irrelevant) have been omitted.

1. Transfer requests must have at least two willing partners and the total number of units within the group requesting the transfer cannot be reduced.
2. Transfers must include units at all income levels in the same proportion as initially allocated.
3. All members of the transfer group must retain some allocation of very low and low income units.
4. The proposed transfer must include a specifically defined package of incentives and/or resources that will enable the jurisdiction(s) receiving an increased allocation to provide more housing choices than would otherwise occur absent the transfer and the accompanying incentives or resources.
5. If the transfer results in a greater concentration of very low or low income units in the receiving jurisdiction, the effect must be offset by findings by the members of the transfer group that address the RHNA objectives. For example, the findings might include (a) there is such an urgent need for more housing choices in those income categories that the opportunity to effect more housing choices in these categories offsets the impacts of over-concentration, or (b) the package of incentives and/or resources are for mixed income projects, or (c) the package of incentives and/or resources are for “transitional” housing for very low or low income households being relocated for rehabilitation of existing very low or low income units, or (d) the package of incentives and/or resources are for additional units that avoid displacement or “gentrification” of existing communities.
6. For the transfer of very low and low income units, there are restrictions that ensure the long-term affordability of the transferred units.
7. Transfers must comply with all other statutory constraints and be consistent with the RHNA objectives.

In addition to guaranteeing that transfers meet the RHNA statutory objectives, these criteria promote regional policies to increase housing supply and provide more housing choices. The criteria state that the transfer must include the resources necessary to improve housing choices and, specifically, in a way that would not otherwise be possible without the transfer. The long-term affordability restrictions on very low and low income transferred units ensure that these units will contribute to a fundamental increase in affordable housing choices.

The criteria also emphasize development of affordable units and are therefore consistent with the state RHNA objective that every jurisdiction does its “fair share” to provide affordable housing. The requirement that jurisdictions must retain some very low and low income units and the stipulation that transfers must maintain the same income distribution as is initially allocated ensure that a jurisdiction cannot abdicate its responsibility to provide affordable units. The criteria also ensure that the benefits created by the transfer outweigh any possible negative effects of an over-concentration of lower income households.

5. Subregions

The County of San Mateo, in partnership with all twenty cities in the county, has formed a subregion, as allowed by state statute. The subregion has designated the City/County Association of Governments (C/CAG) as the entity responsible for coordinating and implementing the subregional RHNA process.

As required by statute, ABAG will assign a share of the regional need to the San Mateo subregion “in a proportion consistent with the distribution of households” in *Projections 2007*. The subregion is responsible for completing its own RHNA process that is parallel to, but separate from, the regional RHNA process. The subregion will create its own methodology, issue draft allocations, handle the revision and appeal processes, and then issue final allocations to members of the subregion.

Although the subregion is working independently of the regional RHNA process, ABAG is ultimately responsible for ensuring that all of the region’s housing need is allocated. Thus, if the subregion fails at any point in its attempt to develop a final RHNA allocation for the subregion, ABAG must complete the allocation process for the members of the subregion.

In the event that the San Mateo subregion fails to complete the RHNA process, the HMC recommends the methodology include the following guidelines for handling the allocation of units to jurisdictions within the subregion:

1. If the members of the subregion adopts a “default allocation,” ABAG will allocate using the default allocation. A “default allocation” is the allocation which a member of the San Mateo RHNA subregion receives if it “opts out” of the subregion.
2. If the subregion fails before ABAG has made any allocation, ABAG combines the subregional share with the rest of the regional need and allocates the total regional need to the entire region using ABAG’s RHNA methodology.
3. If the subregion fails after ABAG has made its initial allocation, ABAG separately allocates the subregional share among only the members of the subregion. ABAG uses its RHNA methodology to do so.

This approach is recommended by the HMC because it minimizes the extent of any reallocations that could occur as a result of subregional failure and preserves the integrity of the respective efforts of ABAG and C/CAG. Keeping San Mateo separated once ABAG has completed its initial allocation also provides the most certainty to all jurisdictions about what their allocation will be.

VI. Regional Projections

Every two years, ABAG produces a long-run regional forecast called *Projections*. The *Projections* forecast provides specific information for population, households, employment and other related variables. In *Projections 2007*, values are reported for year 2000, and then for each five year increment to 2035.

Several related models are used to perform the forecast. The economic model balances demand for the production of goods and services with the supply of productive capacity. The demographic model uses birth rates, death rates and migration data to forecast future population using a cohort-survival model. A great deal of data is required by the models, including information on economic relationships and trends, population-related information like births, deaths and migration, as well as land use and land use policy data.

Since *Projections 2003*, ABAG has assumed the “Network of Neighborhoods” land use pattern, as developed through the *Smart Growth Strategy/Regional Livability Footprint Project*. This pattern expects higher levels of housing production. It also assumes that an increasing proportion of regional growth occurs near transit and in existing urban areas. In the *Projections 2007*

forecast, additional housing production and a shift in the pattern of development primarily occurs in the later part of the forecast. Earlier in the forecast, population growth is generally consistent with the California Department of Finance (DOF) forecast. The distribution of growth is generally consistent with local general plans.

ABAG has continually collected information on local land use as part of its modeling efforts. The forecast is produced for nearly 1400 census tracts in the region and shows the existing land use and the capacity of each tract to support additional population or economic activities.

Because the forecast is based on local land use information, forecasted growth occurs in locations that are consistent with local plans. However, even with 1400 census tracts, only so much detailed information can be included. We may know that moderate growth can occur in an area without specifically understanding that a portion of that area is a nature preserve. We may know that growth should not occur in an area, but it may not be clear whether it is due to a physical limitation, or a general plan policy.

Revised Regional Housing Needs Allocation: Example Calculation

	Committee Proposal	Previous RHNA
11/17/06 1:55 PM		
<i>Regional Need</i>	230,743	230,743
ALAMEDA	2,073	2,162
ALBANY	262	277
BERKELEY	2,712	1,269
DUBLIN	3,437	5,436
EMERYVILLE	1,536	777
FREMONT	4,824	6,708
HAYWARD	3,345	2,835
LIVERMORE	3,420	5,107
NEWARK	897	1,250
OAKLAND	17,088	7,733
PIEDMONT	37	49
PLEASANTON	3,685	5,059
SAN LEANDRO	1,903	870
UNION CITY	2,009	1,951
UNINCORPORATED	2,238	5,310
ALAMEDA COUNTY	49,467	46,793
ANTIOCH	2,300	4,459
BRENTWOOD	2,805	4,073
CLAYTON	148	446
CONCORD	3,118	2,319
DANVILLE	553	1,110
EL CERRITO	522	185
HERCULES	431	792
LAFAYETTE	358	194
MARTINEZ	1,045	1,341
MORAGA	222	214
OAKLEY	748	1,208
ORINDA	220	221
PINOLE	306	288
PITTSBURG	2,021	2,513
PLEASANT HILL	592	714
RICHMOND	2,758	2,603
SAN PABLO	282	494
SAN RAMON	3,289	4,447
WALNUT CREEK	2,206	1,653
UNINCORPORATED	3,692	5,436
CONTRA COSTA CNTY	27,616	34,710
BELVEDERE*	25	10
CORTE MADERA*	228	179
FAIRFAX*	65	64
LARKSPUR*	566	303
MILL VALLEY*	262	225
NOVATO*	1,373	2,582
ROSS*	25	21
SAN ANSELMO*	100	149
SAN RAFAEL*	1,478	2,090
SAUSALITO*	177	207
TIBURON*	119	164
UNINCORPORATED*	941	521
MARIN COUNTY	5,360	6,515

Revised Regional Housing Needs Allocation: Example Calculation

	Committee Proposal	Previous RHNA
11/17/06 1:55 PM		
<i>Regional Need</i>	230,743	230,743
AMERICAN CANYON	692	1,323
CALISTOGA	89	173
NAPA	1,915	3,369
ST HELENA	116	142
YOUNTVILLE	84	87
UNINCORPORATED	625	1,969
NAPA COUNTY	3,521	7,063
SAN FRANCISCO	40,468	20,372
SAN MATEO COUNTY	18,326	16,305
CAMPBELL	739	777
CUPERTINO	1,111	2,720
GILROY	1,584	3,746
LOS ALTOS	301	261
LOS ALTOS HILLS	77	83
LOS GATOS	533	402
MILPITAS	2,619	4,348
MONTE SERENO	40	76
MORGAN HILL	1,327	2,484
MOUNTAIN VIEW	2,752	3,423
PALO ALTO	3,713	1,397
SAN JOSE	33,231	26,114
SANTA CLARA	5,969	6,339
SARATOGA	277	539
SUNNYVALE	4,581	3,836
UNINCORPORATED	160	1,446
SANTA CLARA COUNTY	59,015	57,991
BENICIA	505	413
DIXON	692	1,464
FAIRFIELD	3,662	3,812
RIO VISTA	1,158	1,391
SUISUN CITY	596	1,004
VACAVILLE	2,755	4,636
VALLEJO	3,091	3,242
UNINCORPORATED	94	2,719
SOLANO COUNTY	12,553	18,681
CLOVERDALE	505	423
COTATI	377	567
HEALDSBURG	396	573
PETALUMA	2,057	1,144
ROHNERT PARK	1,895	2,124
SANTA ROSA	6,668	7,654
SEBASTOPOL	168	274
SONOMA	335	684
WINDSOR	698	2,071
UNINCORPORATED	1,319	6,799
SONOMA COUNTY	14,418	22,313
REGION	230,743	230,743

Revised Regional Housing Needs Allocation: Example Calculation

	Committee Proposal	Previous RHNA
11/17/06 1:55 PM <i>Regional Need</i>	230,743	230,743

* Allocations for Marin cities and the county have not be modified to reflect the 75%/25% split of SOIs. Recalculations will be available the week of 11/20.