MEMO

Date: November 29, 2011

To: ABAG Regional Planning Committee

From: Ken Kirkey, ABAG Planning Director

Subject: Regional Housing Need Allocation (RHNA) Update

Overview
This memo provides an update on the work done by ABAG and MTC staff, with the assistance of the SCS Housing Methodology Committee (HMC), to develop the Regional Housing Need Allocation (RHNA) methodology for the 2014-2022 period. Items included are:

- The Regional Housing Need Determination (RHND) from the California Department of Housing and Community Development (HCD)
- HMC discussion of the RHNA methodology framework
- Spheres of Influence

Background
The Regional Housing Need Allocation (RHNA) is a state mandate that requires each community to plan for its share of the state's housing need, for people at all income levels. The California Department of Housing and Community Development (HCD) determines the total housing need for each region in the state and, as the Council of Governments for the San Francisco Bay Area, it is ABAG's responsibility to distribute this need to local governments. With the passage of SB 375, the housing allocation plan must allocate housing units within the region consistent with the development pattern included in the Sustainable Communities Strategy (SCS).

Since January, staff from ABAG and MTC has been working with the members of the SCS Housing Methodology Committee—which is made up of staff and elected officials from all nine counties as well as stakeholder groups—to develop the framework for the RHNA methodology. The committee's discussions to date have focused primarily on determining how best to promote consistency between RHNA and the development pattern of the SCS, while ensuring that the allocation of housing need also meets the specific objectives of Housing Element law, including that every jurisdiction accommodate its fair share of the region's housing need.

The Regional Housing Need Determination (RHND)
As part of the RHNA process, the California Department of Housing and Community Development (HCD) is responsible for providing each region with the Regional Housing Need Determination (RHND) for the eight-year RHNA period. This determination is based on population projections produced by the Department of Finance (DOF). By statute, ABAG has an opportunity to consult with HCD about how their assumptions and methodology in developing the need determination compare to the regional population forecasts that are used in the Regional Transportation Plan (RTP).

ABAG has spoken several times with staff at HCD, and is nearing completion of the consultation process. The draft housing need determination is approximately 200,000 housing units for the eight-year period. This is lower than the total need for the 2007-2014 RHNA period, and less than the placeholder (250,000) that we have been using in our draft RHNA methodology calculations. This is primarily because HCD's methodology included assumptions about vacancy rates that take into account the recent economic downturn and the significant number of foreclosed and vacant units in the region.

The draft income distribution for the region is similar to what it was for the 2007-2014 RHNA period:

	2014 – 2022 RHNA	2007 – 2014 RHNA
Very Low	24.8%	22.8%
Low	15.4%	16.4%
Moderate	17.8%	19.3%
Above Moderate	42.0%	41.6%

Staff expects to have a final need determination from HCD in November.

Report Back from the SCS Housing Methodology Committee

Since January 2011, members of the HMC have been discussing and refining the framework for allocating a portion of the region's total housing need to each jurisdiction in the region. The proposed RHNA methodology framework includes the following elements:

- Sustainability Component
- Fair Share Component
  - Upper Housing Threshold
  - Minimum Housing Floor
  - Fair Share Factors
- Income Allocation
- Sphere of Influence Adjustments

After months of discussion, at their October meeting, members of the HMC expressed general support the RHNA Methodology Framework, particularly the following elements:

- Sustainability Component[1]: the percent of growth assigned to PDAs would be based on the growth pattern in the SCS Preferred Scenario, with a maximum of 70 percent.
- Upper housing threshold: if growth in PDAs meets or exceeds 110 percent of the jurisdiction's household formation growth, it would not be assigned additional growth based on the Fair Share Component.
- Minimum housing floor: jurisdictions would be assigned a minimum of 40 percent of household formation growth; however, a jurisdiction's allocation would be capped at twice what it received during the 2007-2014 RHNA period if its growth was increased to the 40

[1] The term "PDAs" encompasses the Growth Opportunity Areas as well as Planned and Potential PDAs.

percent minimum in the SCS Preferred Scenario *and* its allocation based on the proposed methodology would be more than twice its 2007-2014 allocation.

Given the need for consistency between RHNA and the SCS, the RHNA methodology is dependent on the land use pattern of the SCS Preferred Scenario. Up to this point, members of the HMC have been discussing the proposed RHNA methodology as it relates to the three constrained SCS Alternative Scenarios. Although this has helped the HMC refine the methodology, members of the committee were reluctant to make a recommendation to staff at this time, without seeing the SCS Preferred Scenario. Members of the committee will meet in February 2012 to review how the methodology relates to the SCS Preferred Scenario, and to finalize the remaining components of the methodology, including the Fair Share Factors and income allocation.

Spheres of Influence

"Spheres of influence" (SOI) must be considered in the RHNA methodology if there is projected growth within a city's SOI, and most SOI areas within the Bay Area are anticipated to experience growth. At the September Executive Board meeting, staff proposed to use the same approach regarding SOI for the 2014-2022 RHNA that was included in the 2007-2014 RHNA, unless ABAG receives a resolution from a county and all the cities in that county requesting a change to the rules outlined below:

1. In Napa, San Mateo, Santa Clara, Solano, and Sonoma counties, the allocation of housing need generated by the unincorporated SOI was assigned to the cities.
2. In Alameda and Contra Costa counties, the allocation of housing need generated by the unincorporated SOI was assigned to the county.
3. In Marin County, 50 percent of the allocation of housing need generated by the unincorporated SOI was assigned to the city; and 50 percent was assigned to the county.

These rules are based on the premise that each local jurisdiction with land use permitting authority over its SOI should plan for the housing need generated within that area. These reflect the fact that each county in the Bay Area is different in terms of whether a city or county has jurisdiction over land use and development within unincorporated SOIs.

To be consistent with the recent changes to the overall RHNA timeline, staff is extending the deadline for local jurisdictions to provide ABAG with resolutions requesting a change to the SOI rules to **December 31, 2011.** The rules for SOI allocations will be discussed at the January Executive Board meeting.

Next Steps

The HMC will be meeting in February 2012 to review the methodology as it relates to the draft SCS Preferred Scenario, and staff will report back to the Executive Board in March with a staff recommendation informed by the HMC.