

MEMO

To: Housing Methodology Committee (HMC)
From: ABAG Staff
Date: January 4, 2007
Subject: Alternative Income Allocation Method

Background

On November 16, 2006, ABAG's Executive Board authorized the release of the Housing Methodology Committee's draft methodology for the Regional Housing Needs Allocation (RHNA) for 2007-2014. The release of the methodology opened a 60-day public comment period. The comment period will close on January 18, 2007. On that date, staff will bring to the Executive Board recommendations for the final RHNA methodology.

Several comments received on the draft RHNA method pertain to the income allocation component of the methodology. Some local jurisdictions believe the proposed income allocation methodology does not do enough to alleviate existing concentrations of poverty. There is concern that, because the draft recommendation assigns an "equal share" to each jurisdiction and does not take a jurisdiction's existing income distribution into account, it unfairly burdens jurisdictions with existing high concentrations of poverty. As a result, the draft method is perceived to perpetuate regional social and economic inequities.

Staff has developed three alternative income allocation scenarios for consideration by the HMC and the ABAG Executive Board at its meeting on January 18th. In contrast to the draft methodology, these alternative scenarios take into account existing income distributions within individual communities and attempt to address existing concentrations of poverty. This staff report describes these alternative income allocations.

HMC Recommended Income Allocation

In the recommendation to the ABAG Executive Board, the HMC and ABAG staff proposed that each local jurisdiction plan for income-based housing units in the same ratio as the regional average income distribution. This is deemed an "equal share" approach because each jurisdiction would receive the same proportion of housing units in each affordability category (very-low, low, moderate, and above moderate). Although considered an equitable approach, this income allocation method does not consider existing concentrations of poverty in a community. Based on 2000 Census figures, the regional income distribution is:

- **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

Percent Adjustment Toward Regional Average

By allocating each jurisdiction an equal share based on the regional income distribution, the draft allocation scenario moves each jurisdiction 100 percent toward the regional income distribution. It is focused on promoting an equitable regional distribution for future housing production, but does not consider existing concentrations of poverty in a community or take steps to reduce them.

In contrast, the first two alternative income allocation scenarios give each jurisdiction either 150 or 175 percent of the difference between their 2000 household income distribution and the 2000 regional household income distribution.

The first step in this process is to determine the difference between the regional proportion of households in an income category and the jurisdiction's proportion for that category. This difference is then multiplied by either 150 or 175 percent to determine an "adjustment factor." Finally, this adjustment factor is added to the jurisdiction's initial proportion of households in the income category, which results in the total share of the jurisdiction's housing unit allocation that will be in that income category.

Using the 175 percent factor and the City of Oakland's very low income category as an example, 36 percent of households in Oakland were in this category, while the regional total was 23 percent.

City	Jurisdiction Proportion	Regional Proportion	Difference	Multiplier	Adjustment Factor	Total Share
Oakland	36	23	-13	175%	-23	13

The difference between 23 and 36 is -13. This is multiplied by 175 percent for a result of -22.75 (rounded to 23). This is then added to the city's original distribution of 36 percent, for a total share of 13 percent. A similar calculation for Piedmont, which has a relatively low proportion of households in the "very low" income category yields the following results:

City	Jurisdiction Proportion	Regional Proportion	Difference	Multiplier	Adjustment Factor	Total Share
Piedmont	9	23	14	175%	24	33

As shown above, those jurisdictions that have a larger proportion of households in an income category will receive a smaller allocation of housing units in that category. Conversely, those jurisdictions that have a relatively low proportion of households in a category would receive a higher allocation of housing units in that category.

The effect of these allocation scenarios is to change the income distribution in each jurisdiction to more closely match the regional distribution by taking both a jurisdiction's existing conditions and future development into account. By addressing existing concentrations of poverty, these scenarios more aggressively promote an equitable regional income distribution. The multiplier determines how aggressively the scenario functions; the higher the multiplier, the more aggressive.

Tiered Adjustment Based on Concentration of Poverty

The third alternative scenario is similar to the first two alternatives in that it uses existing conditions to move each jurisdiction closer to the regional income distribution. The key difference in this scenario is that jurisdictions are first separated into three groups based on the jurisdiction's proportion of low- and very low-income households compared to the proportion for the region. The three groups correspond to

three different multipliers (like the 175 percent example used above) that determine how far a jurisdiction must move toward the regional income distribution.

The first step in this process is to add together the percentages of very low and low income households in a jurisdiction. Each jurisdiction's result is then compared to the regional proportion. Based on this comparison, jurisdictions are put into one of three categories:

- Low concentration: where less than 25 percent of total households have very low or low incomes.
- Moderate concentration: where less than 45 percent of total households have very low or low incomes.
- High concentration: where more than 45 percent of total households have very low or low incomes (San Pablo is the highest in the region at 65 percent).

Jurisdictions in the low concentration category, such as Livermore, Pleasanton, Clayton, Danville, and Los Altos Hills move the furthest (185 percent) toward the regional average. Those in the moderate concentration category, such as Albany, Walnut Creek, Napa, San Francisco, and San Jose, move 180 percent and those in the high concentration category, which includes Berkeley, Oakland, Richmond, San Rafael, Gilroy, and Sebastopol, move 175 percent.

Once the multiplier for the jurisdiction has been determined, the steps for determining the jurisdiction's share of housing units in each income category is the same as the one for the first alternative methodology described above.

Taking the City of Piedmont example used above, this scenario would result in a higher share of very low-income units for the city because the city falls into the low concentration category and has a multiplier of 185 percent. Here, the share is 35 percent compared to 33 percent in the example above.

City	Jurisdiction Proportion	Regional Proportion	Difference	Multiplier	Adjustment Factor	Total Share
Piedmont	9	23	14	185%	26	35

The result of this allocation scenario is that jurisdictions with a low concentration of low and very low income households get higher allocations of very low- and low-income housing units. Those jurisdictions that already have a high concentration of very low- and low-income households are allocated fewer units in these categories.

As in the first alternative scenario, the effect of this allocation scenario is to change the income distribution in each jurisdiction to more closely match the regional distribution by taking both a jurisdiction's existing conditions and future development into account. This third alternative scenario specifically looks at the proportion of very low- and low-income households in a jurisdiction as the factor for determining how far the jurisdiction must move toward the regional average income distribution.

Summary

The alternative allocation scenarios described above have been designed to promote a more equitable regional income distribution by addressing existing concentrations of poverty in individual jurisdictions. The scenarios demonstrate different possible approaches and outcomes for moving jurisdictions toward the region's income distribution. Staff recommends that the HMC consider these alternative income allocations and come to a consensus on a recommendation to the ABAG Executive Board.