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.