



Housing Methodology Committee Meeting – October 12, 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.

There were several announcements made at the start of the meeting:

- Kenneth Kirkey, ABAG Interim Planning Director, announced that the FOCUS TAC meeting scheduled for October 19 has been cancelled. ABAG staff felt that waiting until after the November election would provide a more fruitful discussion for TAC members.
- ABAG staff is working on the transcription of the question and answer session with HCD on September 29. The materials should be available on ABAG's website by early next week.

At this point, several HMC members raised questions about the survey that ABAG sent out requesting additional data related to the nine factors spelled out in the RHNA statutes. There was some confusion among committee members about the purpose of the survey and how the information collected would be used. Mr. Fassinger indicated that the survey results would be used to ensure the *Projections* forecasts are accurate and to provide feedback about how factors might be included in the allocation methodology.

2. Discussion of Allocation Methodologies – All Units

Mr. Fassinger led the HMC in a discussion of the different allocation methodology scenarios developed by ABAG staff. As a framework for the discussion, he outlined the four different parts of the RHNA process: 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 be limited to the allocation methodology.

In reviewing the possible allocation scenarios, Mr. Fassinger noted that they were developed based on the draft numbers from the *Projections 2007* forecast. These numbers are currently being reviewed by local governments, and it is likely that some changes will occur based on their feedback. Also, the total regional need number in the scenarios is from the 1999-2006 RHNA period, and is used only for demonstration purposes. It is possible that the total regional need will be significantly higher for the 2007-2014 RHNA period.

The allocation scenarios are based on the four categories of potential factors that have been identified by the HMC for inclusion in the methodology:

- Housing
- Employment

- Transportation
- City-centered growth policies

The proposed scenarios include factors related to housing, employment, and transportation. A city-centered growth factor was not included in the scenarios because the other factors used seemed to accomplish the goal of moving growth away from the unincorporated areas. However, this factor can be included in an allocation scenario if the HMC determines it is necessary.

The different scenarios can be grouped into three major categories. The first category, which consists of Scenario 1, is based solely on expected housing growth. Projected household growth represents the need to provide housing for future population increases. It looks at where growth is likely to occur. Since *Projections* incorporates information from local General Plans, it also factors in protected space to ensure that growth occurs in appropriate areas.

In this example, the cities get all of the housing generated in sphere of influence (SOI) areas. This was done for demonstration purposes, and is not intended to represent a policy decision. Based on prior HMC discussions, staff expects to include a factor in the methodology that handles SOI issues on a county-by-county basis.

The second category includes Scenarios 2, 3, and 4, which all seek to balance housing growth with different employment factors. These scenarios recognize that, in addition to housing growth, the presence of jobs in a community also generates demand for housing for workers. Including a jobs factor will direct future growth to areas based on where there are, or will be, significant numbers of jobs. Over time, linking housing growth to jobs will result in a better jobs-housing balance throughout the region.

In these scenarios, the housing growth factor is paired with one of three possible jobs-related factors:

- Scenario 2 includes the jurisdiction's job growth between 2007 and 2014. This factor would direct housing growth to areas that are adding jobs. As a result, the methodology would seek to achieve a jobs-housing balance based solely on future growth. It would not take into consideration those areas that already have a high proportion of jobs.
- Scenario 3 uses the jurisdiction's total jobs in 2014. This factor allocates growth based on a balance of a community's existing number of jobs and its expected employment growth through 2014. As a result, it represents a combination of the existing jobs and job growth.
- Scenario 4 includes the jurisdiction's total jobs in 2007. This factor would direct housing growth to those areas that currently have a high proportion of jobs. This would encourage a better jobs-housing balance based on existing conditions, but would not consider future job growth.

The third category includes Scenarios 5, 6, and 7. These also balance housing and employment, but also include a factor to direct housing to areas served by public transit. The factor assigns more of the housing growth during the RHNA period to areas within a half mile¹ of the transit stations. The analysis is based on the housing growth projected for the area. The public transit services included in this factor are those with

¹ The half-mile area was chosen based on accepted planning practice, which has found that people will generally only walk a half mile to a transit station. This is the same standard used in the Metropolitan Transportation Commission's Regional Transit Expansion Program.

fixed infrastructure, such as heavy and light rail systems and ferries.² Only existing transit services are included as part of the factor.

This factor was selected as the best way to respond to the HMC's interest in dealing with transportation impacts. Assigning housing units to areas along major highway corridors would only exacerbate traffic congestion, and directing it away from these areas would promote growth in outlying areas away from existing infrastructure, which would be contrary to regional goals.

Since 2002, *Projections* forecasts assume that, over time, local land use policies will move the region closer to meeting the regional goals. The policy-based *Projections* specifically forecast more growth in existing communities and near transit, while directing growth away from agricultural areas and open space. Choosing to include a factor in the methodology that directs growth to areas with public transit would reinforce the importance of encouraging growth in areas with a variety of transportation options. In effect, it would give extra weight to this regional goal, over what has already been done in the *Projections* forecast, which already incorporates the regional principles that direct growth to infill areas and areas served by public transit.

In response to questions about how the scenarios were developed, Mr. Fassinger walked committee members through the steps to calculate a jurisdiction's allocation. These sample scenarios use data from *Projections 2005*, but the actual allocations will incorporate information from *Projections 2007*, which is currently in draft form.

Projections 2005 provides growth estimates for five-year periods through 2030. The forecasts for 2005 and 2015 are used to estimate growth between 2007 and 2014. To accomplish this, it is assumed that the growth in any five-year period occurs in regular annual increments. Thus, the growth in 2007 is calculated by adding 2/5 of the growth between 2005 and 2010 to the estimate for 2005. The growth in 2014 is determined by adding 4/5 of the growth between 2010 and 2015 to the forecasted total for 2010.

A jurisdiction's growth during this period is then divided by the regional growth for the same period to determine the jurisdiction's share of regional growth. This proportion is then multiplied by the total regional need number to determine the jurisdiction's share of the regional need. The same type of calculation is done to determine a jurisdiction's share of job growth for the same time period.

After gaining an understanding of the computations used to develop the scenarios, the HMC discussed the merits of the eight sample allocation methodologies. Committee members immediately rejected Scenario 1 because it included only housing as a factor, and did not adequately address the RHNA objective of promoting a better balance between housing and jobs.

In assessing the scenarios that balance jobs and housing, several committee members expressed opposition to using Scenario 2 because focusing solely on job growth penalizes communities trying to add jobs to create a better jobs-housing balance. Also, by looking only at future growth, it ignores the existing relationship between jobs and housing in a jurisdiction. There was more support for Scenario 3, since it attempts to balance existing jobs as well as job growth during the RHNA period. In addition, this was generally seen as a better alternative than Scenario 4, which only looks at the existing jobs in comparison to housing growth.

In general, there was some concern that the sample methodologies did not fully address the question of jobs-housing balance. Several committee members proposed alternate ways of trying to incorporate measures of

² The rail service providers 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.

jobs-housing balance more directly as an allocation factor. Suggested changes included looking at jobs compared to employed residents in a jurisdiction or including two employment factors—one for existing jobs and another for the expected change over time—that could be weighted separately.

The committee also felt that the scenarios should be more consistent in matching job and housing growth, or jobs and housing at a single point in time. Specifically, they requested a comparison of total housing and total jobs in 2014.

In general, HMC members supported the idea of trying to direct growth toward station areas, as a way to reduce sprawl and traffic congestion within the region. This policy is also consistent with the goal of city-centered growth policies. At the same time, some HMC members expressed concern that using this factor would result in “double counting,” since the Projections forecasts already direct growth to areas with access to public transit. In addition, since the factor looks at the growth that is planned around a station area, it can be perceived to negatively impact jurisdictions that are proactively planning for transit-oriented development. In the long-term, this could be seen as a disincentive for adding public transit and trying to intensify development around the station areas.

In reviewing the allocation scenarios, committee members requested that staff evaluate the impact of using a factor that looks at planned job growth around transit stations, instead of housing growth. There was also some interest in trying to determine if there were some planned transit extensions that might occur during the RHNA period that should be included in the factor.

There was a general discussion among committee members about the potential regional implications of the different allocation scenarios. Some members expressed concern that some of the scenarios allocate high housing numbers to areas where the housing is less likely to be built. In the end, this would harm the overall future of the region if it results in the construction of fewer housing units.

Several HMC members countered that zoning for housing is the first step in encouraging housing growth in the areas that most closely align with regional goals for growth. If the allocations do not direct growth to these areas, the growth would have to be zoned for and accommodated in areas that are less ideal. In response, several committee members raised the concern that some jurisdictions that receive lower housing allocations because they are outside the region’s existing communities and away from transit services end up producing more than their total housing allocation.

There was also a question about whether resources and incentives available at the regional level would be directed to those jurisdictions that take responsibility for accommodating more of the regional housing need. However, committee members felt that the HMC was not empowered to respond to this question. In the end, the HMC felt that Scenarios 1, 7, and 8 should no longer be considered. They requested that staff build on Scenarios 3, 5, and 6 in developing other alternatives that look more closely at jobs-housing balance, using comparable types of data, and evaluate the impact of focusing growth on transit areas based on job growth.

3. Discussion of Allocation Methodologies – Income-based Units

Mr. Kirkey led committee members in a discussion of the allocation of units by income. He presented scenarios that seek to move a jurisdiction toward the county or regional income distribution, as well as scenarios that assign a jurisdiction the same distribution as the county or regional average. Mr. Kirkey also highlighted the possibility of applying a factor related to high housing cost burdens to one of these allocation scenarios.

The HMC very quickly came to consensus that assigning shares based on the regional income distribution was the best solution. This was based on the fact that the need for affordable housing is a problem that is shared by the region as a whole, and is not localized to a specific area. This proposal is consistent with the idea that every jurisdiction must do its “fair share” to provide affordable housing, and it promotes a more equitable income distribution by moving each jurisdiction to the same standardized income distribution. Since the allocation only addresses future housing growth, it would only impact the increment of growth and not the existing conditions in the region.

This strategy is also more likely to avoid the over-concentration of an income group in a jurisdiction. Committee members did not support the scenarios that moved jurisdictions incrementally toward the regional or county average because they assigned more affordable units to areas that already had significant low-income populations. There was also concern that using the factor for “high housing cost burden” would also lead to the over-concentration of low-income households.

Some members expressed concern that the strategy of assigning shares based on the regional income distribution might assign housing to jurisdictions where it is less likely to be built. However, there was a general agreement that the benefits of this approach outweighed this potential negative impact. In addition, this issue could be worked out through agreements between individual jurisdictions.

In response to a question from the committee, Mr. Fassinger noted that the income scenarios were based on household income data from Census 2000. It was proposed that it might be better to use data from the U.S. Department of Housing and Urban Development (HUD) that specifies household incomes by household size. Mr. Fassinger stated that he would check with HCD to determine which source of data it uses in developing the regional income allocations.

4. Next Steps and Draft Agenda for October 19 Meeting

Mr. Moy led the HMC in a discussion about what topics need to be discussed at the October 19 meeting. The major focus would be on finalizing the allocation methodology, based on revised scenarios to be presented by staff. Mr. Moy also stressed the need to discuss the framework for handling revisions and appeals. Since revisions and appeals must be based on a factor in the methodology, it is important to consider how to incorporate some of the issues that might lead to revisions, such as spheres of influence and transfers of units between local governments. The agenda will also include consideration of how to handle the relationship between the region and the subregion that has formed in San Mateo County.

Committee members requested that ABAG staff undertake the following actions:

- Revise the allocation scenarios based on feedback from the committee
- Check with HCD about the data they use to develop the allocations by income