



SCS HOUSING METHODOLOGY COMMITTEE

San Francisco Bay Conservation and Development Commission
McAteer Petris Conference Room
50 California Street, Suite 3600, San Francisco, CA 94111

March 24, 2011 | 10:00 a.m.

1. Convene Meeting

Doug Johnson, MTC Senior Planner called the meeting to order at 10:20 a.m. Staff was asked to circulate the committee roster with contact information and to distribute materials to the committee by at least the Friday before the meeting so members would have enough time to prepare.

2a. SCS Initial Vision Scenario

Ezra Rapport, ABAG Executive Director, provided an overview of the Initial Vision Scenario of the Sustainable Communities Strategy (SCS). The Initial Vision Scenario directs growth to locally-identified Priority Development Areas (PDAs) and Growth Opportunity Areas that represent areas for sustainable growth throughout the region. In the Initial Vision Scenario, growth was assigned to specific areas using the Place Type framework, which takes into account the land use, transit, and development characteristics of each place.

Mr. Rapport emphasized that the Initial Vision Scenario is not a forecast, but instead is based on meeting an unconstrained estimate of region's total housing need. It also assumes the money and policies needed to implement it are in place.

The place-based approach of assigning growth is different than how growth has been forecasted by ABAG in the past. Although ABAG's projections are guided by policies that encourage more compact, transit-oriented growth, this approach is a more holistic effort to plan for growth in a way that will help the region achieve its sustainability goals. The Initial Vision Scenario starts with local estimates of growth for the PDAs and Growth Opportunity Areas, but additional households beyond local plans are included in order to meet the goal of housing all of the region's population in 2035. The criteria used to distribute additional housing to PDAs and Growth Opportunity Areas were:

1. Locally identified growth in Priority Development Areas or new Growth Opportunity Areas
2. Additional housing units based upon a jurisdiction's selected Place Type for a PDA or Growth Opportunity Area
3. Greater housing density proximate to significant transit investments (Existing Transit or Resolution 3434 Transit Expansions)
4. Major mixed-use corridors with high potential for transit-served, infill development

Growth allocated to areas outside of PDAs and Growth Opportunity Areas is based on the Current Regional Plans forecast. The Current Regional Plans forecast is a revision of Projections 2009 that includes changes based on local government input and lower employment growth expectations because of the recent recession. The Current Regional Plans forecast was merged with the Place Type analysis, and some additional refinement about the distribution of growth within a jurisdiction may be needed. This is some of the feedback that MTC and ABAG are seeking from local governments.

In the Initial Vision Scenario, staff did not use the Place Type framework to distribute jobs. The job forecast in the Initial Vision Scenario is based on Projections 2009, but with a reduction of total jobs from 5.1 million to 4.4 million because of the recession. Jobs-housing balance was not an explicit assumption of the Initial Vision Scenario.

Mr. Rapport indicated that staff will be undertaking additional work on the jobs analysis for the Initial Vision Scenario. This analysis will examine future trends in job location, the mix of job types, and incomes related to housing affordability. It is possible that additional work will show that the total number of jobs included in the growth forecast should be lower, even though the economic downturn will not last for the entire 25-year forecast period.

To meet the region's housing need, the Initial Vision Scenario assumes higher average annual housing production than has occurred in the past (35,000 units on average compared to the trend of 20,000 units per year over the past 20 years). Given the fact that the resources needed to achieve this outcome may not be available, it is likely that the more realistic forecast of household growth used in the preferred SCS scenario will be lower than the 900,000 included in the Initial Vision Scenario.

This release will be followed by presentations to City Councils and Boards of Supervisors by local staff. ABAG and MTC are seeking feedback from local governments about whether they can accommodate the growth envisioned in their communities, the development constraints they face, and the resources they need to address those constraints. The Initial Vision Scenario is the starting place for the regional dialogue that will continue throughout the rest of the year as we develop the final preferred land use scenario for the SCS.

Committee members asked how 2010 Census information will be used in the RHNA process, since some jurisdictions have experienced population declines over the past decade. Members also requested additional information about what impact vacant units and foreclosed units have on the total housing need, and how these units are counted in the 2010 Census.

The Committee asked for clarification about whether the Initial Vision Scenario really assumes that there will be "no more in-commuting." Mr. Rapport stated that, while the SCS must provide for all of the region's housing need, and can no longer assume a certain amount of spillover growth in adjacent regions, there will still be some people who choose to live outside the region and commute in.

Given the fact that the total housing need number for the region may change as constraints are taken into account during the development of the Detailed Scenarios and the preferred SCS land use scenario, some committee members questioned why we are using the Initial Vision Scenario as the basis for the RHNA methodology. In response, Mr. Rapport indicated that the RHNA methodology must be completed by the end of June, before information about the Detailed Scenarios will be available. The concepts for the Detailed Scenarios will be available at that point, but the forecast for the scenarios will be developed over the summer, based, in part, on feedback from local jurisdictions about the constraints that they face.

There was also a question about the point at which, as we adjust the Initial Vision Scenario in response to the constraints on growth that are identified, the region will jeopardize its ability to do an SCS and have to do an Alternative Planning Strategy (APS). Mr. Rapport stated that the region will have to do an APS if it cannot meet the GHG target, but there is no punishment under SB 375 for doing an APS. However, the regional agencies need to have a conversation with federal and state agencies about when a scenario would be considered just a forecast, and not an SCS.

2b. Allocation Formula

With regard to the RHNA methodology, Mr. Rapport indicated that, in a shift from how RHNA allocations have been done in the past, this methodology will not be a “fair share” allocation, but will guide growth to sustainable places while taking fair share principles into account. For example, the income allocation will be done in a way that avoids over-concentrating poverty, and ensures that every community is responsible for planning for affordable housing. The overall goal for the methodology is to ensure that zoning is consistent with a sustainable growth pattern. To ensure consistency with the SCS, the RHNA methodology should be guided by the place-based sustainability principles that define the Initial Vision Scenario and that underlie development of the SCS.

As a starting place, two of the draft allocation methods identified by staff start with the growth distribution from the Initial Vision Scenario. In the first option, a jurisdiction would receive approximately one third of the household growth it was assigned in the Initial Vision Scenario, to account for the difference between the 25-year time frame of the SCS and the 8-year RHNA period. This approach would result in approximately 300,000 units that would need to be accommodated for RHNA. Mr. Rapport reiterated that the total amount of housing need may be reduced from the approximately 900,000 households in the Initial Vision Scenario, so the use of 300,000 as the region’s total housing need is for illustration only.

In this scenario, for the region as a whole, approximately 70 percent of the housing need would be allocated to Priority Development Areas or Growth Opportunity Areas, while 30 percent would be allocated to other areas within jurisdictions. This is based on the distribution in the Initial Vision Scenario. Mr. Rapport stated that this 70/30 split is somewhat arbitrary, so the committee could discuss a different balance of households in sustainable places and those outside those areas.

The second alternative based on the Initial Vision Scenario starts with the same household distribution and the 70/30 split as the first option, but then allocates the 30 percent of household growth outside of the PDAs and Growth Opportunity Areas based on fair share principles.

In both of these options, those jurisdictions that accept the principles of sustainability and provide a resolution of support for the SCS and a resolution about zoning for RHNA in the PDAs and Growth Opportunity Areas would be eligible for regional incentives. Mr. Rapport noted that ABAG is assuming that jurisdictions have the capacity to zone for the eight-year need in their PDAs and Growth Opportunity Areas, since many of the sites identified in current Housing Elements are still available due to the economic recession.

The third alternative is to use the same methodology as was used during the 2007-2014 RHNA period. Mr. Rapport indicated that he did not think this approach goes far enough to encourage sustainable growth, since it does not include a place-based analysis, heavily weights trend-based household growth, looks at jobs by jurisdiction rather than labor market, and does not do enough to emphasize growth in transit-served areas.

When asked about how staff proposed to handle the income allocation, and what assumptions were made about the household distribution by income, Mr. Rapport indicated that staff would bring back additional information.

In response to Mr. Rapport’s presentation, members of the committee highlighted the fact that zoning in the Housing Element has more meaning than it does in other contexts, and that it is

extremely difficult to deny housing on those sites. There was a suggestion to weight the allocation numbers to be later in time so jurisdictions would have time to plan for future growth and get the necessary infrastructure in place.

Several members mentioned a concern that the use of the PDAs as a framework for the RHNA allocations would make some jurisdictions feel that they are being penalized for stepping forward and being willing to accommodate more growth. In particular, people did not like the idea that jurisdictions with PDAs or Growth Opportunity Areas would receive an additional allocation based on household formation growth, and that this additional allocation would be the basis for receiving incentives from the regional agencies. There was general agreement that more details were needed about the possible resources that would be distributed to jurisdictions that accept higher RHNA allocations.

Others supported use of the self-identified PDAs and Growth Opportunity Areas as a major component of the methodology, since this ensured that local control is prominently featured. Using the growth identified in the SCS as a starting place provides a context for county-level dialogue about accommodating growth, and the opportunity to make adjustments.

Several people raised the point that the prior RHNA methodology was problematic because the discussion was focused on principles for much of the process and the actual allocations did not come out until late in the process. When it became clear that the numbers were not as expected, there was not enough time to make modifications. One way to approach this issue this time is to focus on each jurisdiction's share of the region's housing need, until we are able to see what the SCS looks like.

It was noted that, in general, the Initial Vision Scenario shifts a significant portion of overall growth in the region from San Francisco and San Mateo counties to Alameda and Contra Costa counties. This shift should be considered by the HMC in discussing the methodology.

Some members of the HMC proposed that the RHNA methodology and the SCS be developed separately, since the timing for the two processes does not align well, and the RHNA process has very specific objectives that must be met.

There was some concern that the proposal for allowing a jurisdiction to give back some of its allocation if the number was deemed to be too high would create an overly cumbersome process. Since all jurisdictions face similar challenges in accepting growth, it was proposed that the region stick with the process used in the last RHNA, which worked well.

With regard to the factors included in the allocation methodology, many members of the HMC expressed concern about using historic growth patterns as part of the methodology, since past growth trends are not sustainable.

Although many people suggested using transit as an allocation factor to encourage housing growth in transit-served locations, there were several people argued against using transit as a factor for allocating housing need since the transit-served locations that are PDAs or Growth Opportunity Areas have already received high growth numbers. There is the potential that an additional transit factor would direct too much growth to certain jurisdictions. If, in the end, the market will not build housing in these locations, and other close-in cities have not been pushed to zone for it, then growth will likely be pushed to the edges of the region.

Many of the HMC members suggested including a factor related to employment in the RHNA methodology. There was a general consensus that staff needs to provide more details about how jobs will be distributed throughout the region, including by job type, compared to the information included in the Initial Vision Scenario. This information is important to understanding how best to connect the locations of jobs and housing. One specific suggestion for including a jobs factor in the RHNA allocation methodology was to look at the number of acres devoted to jobs, rather than the number of jobs, since this indicates the amount of space that is not available for housing.

One of the issues that the HMC thought should be addressed in the RHNA methodology is jobs-housing balance, to encourage homes and jobs in close proximity to one another. It was noted that this is particularly important in locations that are served by adequate transit. Suggestions for including a factor for jobs-housing balance include giving extra weight to housing near transit-oriented jobs, looking at jobs-housing balance based on a transit commute shed, and using an income-based jobs-housing balance.

It was noted that, since water supply is one of the factors that need to be taken into consideration, committee members are encouraged to pay attention to the Urban Water Management Plans that are currently being developed, since they take water demand into account.

The committee had a brief discussion about the allocation of regional housing need to subregions. Staff was asked to provide a memo from ABAG's legal counsel that describes how each subregion receives its share of the regional housing need and confirms whether or not the subregional allocation is by income.

3. RTP Funding and RHNA

Doug Kimsey, MTC Planning Director, provided an overview of how funds from the Regional Transportation Plan (RTP) might be aligned with RHNA and the SCS to support focused growth. Mr. Kimsey highlighted existing programs, such as Transportation for Livable Communities (TLC), the Station Area Planning Grants, and the Affordable TOD fund, that direct funding specifically to PDAs to support local efforts to plan for and implement infill, transit-oriented growth.

Mr. Kimsey mentioned that, as part of the SCS/RTP process, policy makers are discussing the concept of using some discretionary funding from the RTP to create a "block grant" that would provide funding to jurisdictions with PDAs or Growth Opportunity Areas. In concept, the funding would be linked to a jurisdiction's RHNA allocation.

Several people also noted that transportation money is important for implementing TOD, especially affordable housing near transit, and that MTC Commissioners need to hear about this need.

MTC is currently considering its draft Committed Funds and Projects Policy, which influences how much money might be available for a block grant. The proposed policy would double the amount of discretionary money, compared to the last RTP, *Transportation 2035*. The final Committed Policy is expected to be adopted by the MTC Planning Committee and Commission on April 27, 2011. The decisions about how the block grant might be structured and how discretionary funds would be allocated will be considered over the rest of the summer.

With regard to the Committed Policy, HMC members commented that transportation projects based on sales tax measures or upon which local governments have based TOD plans should be

considered committed and that the definition of efficiency for judging a project should be that it serves a lot of people.

Mr. Kimsey also mentioned that the Transit Sustainability Project (TSP) will help to inform how money is allocated. The existing capital and operating shortfalls that transit operators face are not sustainable, and the goal of the TSP is to create a more cost-effective and efficient transit system in the region. Mr. Kimsey noted that, in general, it is easier to allocate capital funding to areas of growth, while allocating operating funds in this way is more difficult. Depending on the findings of the TSP, MTC might consider conditioning funding based on the efficiency characteristics of operators, as a way to ensure that investments have a significant impact.

4. Rules for Transfers and Spheres of Influence

Paul Fassinger, ABAG Research Director, presented the staff recommendation regarding the rules for handling allocations to a jurisdiction's Sphere of Influence (SOI). Staff proposes that responsibility for planning for housing in the SOI should be assigned using the same approach as in the 2007-2014 RHNA allocation. Mr. Fassinger explained that the primary SOI rule in the last RHNA methodology was to allocate the housing need to the jurisdiction with land-use permitting authority over the SOI.

A committee member from Contra Costa County supported using the approach from the last methodology, but requested ABAG's assistance in figuring out how many units should accompany an annexation by a city.

A committee member from Marin expressed a desire to review and discuss possible changes to the SOI approach for their county. Mr. Fassinger noted that ABAG would need a recommendation from the county by June in order to incorporate it into the region's draft allocation methodology that must be adopted by July.

A committee member from Palo Alto mentioned that the city has an agreement with Stanford University that the city will not annex any part of the campus, and that this required a shift of units back to the county in the last RHNA allocation. Mr. Fassinger expressed that ABAG's goal is to get the numbers right at the allocation stage, so no transfers are needed.

With regard to transfers of housing allocations between jurisdictions, Mr. Fassinger explained that these are trades that occur after the regional housing allocation has occurred. In the last RHNA period, only the City of Napa and Napa County executed a transfer of units.

Mr. Fassinger noted that, since the last RHNA methodology, adopted legislation has changed the ability of jurisdictions to transfer housing allocations to other jurisdictions. There are new restrictions on who is eligible to transfer units after the adoption of the RHNA.

Committee members requested that staff provide additional clarification about the impact of the legislation that has been adopted since the last RHNA, the points at which transfers are possible, and the date when transfer agreements are due.