

# REGIONAL HOUSING NEEDS ALLOCATION



TO: ABAG Housing Methodology Committee  
FR: Deputy Executive Director, Policy  
RE: Refining RHNA Methodology Concepts

DATE: August 13, 2020

## Overview

The Housing Methodology Committee's (HMC) objective is to recommend to the Executive Board an allocation methodology for dividing up the Bay Area's Regional Housing Need Determination among the region's jurisdictions. This Regional Housing Needs Allocation (RHNA) methodology is a formula that calculates the number of housing units assigned to each city and county, and the formula also distributes each jurisdiction's housing unit allocation among four affordability levels.

At the July HMC meeting, the committee considered the role that the Plan Bay Area 2050 Blueprint could play in the RHNA methodology and continued discussions about potential methodology approaches for allocating units by income category. While the HMC started its discussion about using the Blueprint in the methodology, there was insufficient time for the committee to reach any conclusions about whether or not to incorporate Plan Bay Area 2050.

The August HMC meeting will continue the discussion about the Blueprint and how it could be included in the methodology. The meeting will focus on some of the key decisions the HMC will need to make to finalize the structure of the RHNA methodology:

- Which **baseline allocation** should the methodology use?
- Should we **incorporate Plan Bay Area 2050** in the methodology, and if so, how?
- What **income allocation approach** should the methodology use?

This memo provides information in response to several ideas raised at the July HMC meeting to support the committee's decisions on these topics.

Once the HMC has made decisions about these foundational pieces of the methodology, committee members will have the opportunity (either at the August meeting or at future meetings) to discuss the **factors and weights** that best complement the underlying structure of the methodology. As part of that future discussion, staff will be seeking a decision from the HMC on the idea of grouping moderate-income units with affordable units, if the Bottom-Up income allocation approach is selected at today's meeting (more details about this idea are on page 11). Staff also proposes to seek confirmation about the **performance evaluation metrics** at the subsequent HMC meeting on August 28.

### **Continuing the Conversation About Using Plan Bay Area 2050 in the RHNA Methodology**

A critical decision the HMC needs to make in developing the RHNA methodology is whether or not to include Plan Bay Area 2050. At the July HMC meeting, staff presented two ideas for how the Blueprint could be used in the RHNA methodology: 1) using the Blueprint as the sole input for allocating units based on each jurisdiction's share of household growth between 2015 and 2050 and 2) using the household growth distribution as the baseline allocation.

During the HMC's discussions about the Plan Bay Area 2050 Draft Blueprint in July, some committee members expressed interest in using the Draft Blueprint in the RHNA methodology, but there were also some concerns about the Draft Blueprint's heavy emphasis on growth in the South Bay. For this reason, there did not appear to be support for using the Draft Blueprint as the sole factor for allocating RHNA units, although some HMC members expressed interest in using the Draft Blueprint as a potential baseline allocation if it could be paired with factors that help to more evenly distribute RHNA units throughout the region.

ABAG/MTC staff appreciates the complexity of the HMC's decision about whether to use the Blueprint in the RHNA methodology. As noted at the July meeting, the strategies and policies included in the Draft Blueprint achieve a number of positive housing- and equity-related outcomes for the Bay Area, including reducing housing cost burden, especially for lower-income households; improving the region's jobs-housing balance; and directing substantial growth to high-resource areas. These results are consistent with the priorities the HMC identified in June, particularly that "more housing should go to jurisdictions with more jobs than housing and to communities exhibiting racial and economic exclusion."

At the same time, there are critical differences between the process and outcomes for RHNA compared to those for Plan Bay Area 2050. While both efforts must meet multiple objectives, by statute, each has a different emphasis on the outcomes that are prioritized. For RHNA, the top priority is achieving an equitable distribution of housing units which, with the recent changes to Housing Element Law, specifically emphasizes overcoming patterns of segregation and fostering inclusive communities that provide universal access to opportunity to affirmatively further fair housing. While directing more growth to high resource areas to affirmatively further fair housing is a major component of the Blueprint, the growth framework focuses on high resource areas with basic or high-quality transit services, striking a balance between greenhouse gas emissions reduction and equity goals. As a result, the methodology options using the Draft Blueprint presented in July did not allocate housing growth to all high resource areas in the region in a consistent manner.

### ***Accelerating Plan Bay Area 2050's Equity Outcomes Through RHNA***

In an attempt to balance the different perspectives from HMC members about using the Blueprint in the methodology, staff is presenting several new methodology options that include the Plan Bay Area 2050 Blueprint but also temper the forecasted development pattern to ensure

the methodology affirmatively furthers fair housing in all communities. This approach is also consistent with feedback provided at the July 16 meeting of the ABAG Executive Board, where several Board members expressed support for incorporating the Plan Bay Area 2050 Blueprint into the RHNA methodology.

Using Plan Bay Area 2050 in the RHNA methodology would communicate to our local government partners and other stakeholders that we are moving toward a unified vision for the Bay Area's future. Having the Blueprint as an input into the RHNA methodology can provide a bridge between the development pattern that exists today and what is envisioned for 2050. Yet the long-term growth vision of the Plan can also be moderated during the short-term period of RHNA to ensure that critical regional equity goals are achieved swiftly. To some extent, this is a matter of sequencing—using the Blueprint in the RHNA methodology *in a tempered way* will enable the region to accelerate toward a more equitable and less segregated land use pattern in the near-term while building toward the broader range of positive outcomes from the Blueprint in the long-term.

The nature of the RHNA process is particularly well-suited to balancing a long-range regional vision with an accelerated pathway toward equity outcomes in the near-to-medium term. In contrast to Plan Bay Area 2050, which offers incentives to prompt local government land use changes to implement its vision for future, Housing Element Law compels local governments to take action to implement policies, strategies, and zoning changes to accommodate their RHNA allocations. RHNA allocations will establish a pattern of housing growth in the near term (2023 to 2031) that will anchor the foundation for how Bay Area jurisdictions move forward on implementing the vision in Plan Bay Area 2050.

Another benefit of using the Plan in some fashion is that the Blueprint uses the UrbanSim model to analyze a wide variety of land use and economic information. These analyses can support ABAG in demonstrating how the methodology addresses the 12 factors outlined in Housing Element Law as well as other topics of regional significance, such as avoiding growth in areas with high risk of natural hazards. Lastly, while staff's initial analyses show that using the Plan is not required to achieve consistency, using the Blueprint would increase the extent to which RHNA is consistent with the Plan.

Staff recognizes that some members of the HMC have concerns about integrating the Plan Bay Area 2050 Blueprint, including the fact that the Final Blueprint is slated for release in December 2020 after the HMC has completed its work. However, staff believes that the upsides associated with Blueprint integration are greater than any potential downsides.

### ***New Options for Using Plan Bay Area 2050 in the RHNA Methodology***

For these reasons, staff is proposing two new ideas that include the Plan Bay Area 2050 Blueprint but also emphasize allocations to high resource areas and distributing RHNA units more evenly throughout the region:

1. **New baseline allocation option: Future Year 2050 Households from the Draft Blueprint.** Instead of using household growth from the Draft Blueprint as a baseline allocation, this option uses a jurisdiction's total number of forecasted households for year 2050. In effect, this baseline allocation takes into consideration a jurisdiction's existing total number of households (similar to Households 2019) plus its household growth from the Draft Blueprint, creating a blended solution to the baseline question.
2. **New methodology concepts: Balanced Blueprint/High Resource Areas.** These concepts include a new allocation factor, Future Housing Growth, which uses household growth from the Draft Blueprint.<sup>1</sup> In these concepts, the Future Housing Growth factor is paired with the Access to High Opportunity Areas factor, specifically designed to accelerate near-term progress on equity. One methodology uses the Income Shift approach, while the other uses the Bottom-Up approach. Both concepts are paired with the 2019 households baseline allocation. **Table 2** on page 9 provides the specific factors and weights that comprise these two methodology concepts.

The 2050 Households (Blueprint) baseline allocation will be discussed along with other potential baseline options in the next section. The Balanced Blueprint/High Resource Areas concept is included in staff's analyses of the allocations that would result from different combinations of methodology concepts and baseline allocation options. While neither option would guarantee consistency, integration of the Blueprint in some form will certainly reduce the risks of inconsistencies between Plan Bay Area 2050 and RHNA.

### **Building the RHNA Methodology: Baseline Allocation Options**

As noted earlier, one of the foundational decisions the HMC will have to make to define the RHNA methodology is what baseline allocation to use. In the RHNA methodologies under consideration, the baseline allocation is used to assign each jurisdiction a beginning share of the Regional Housing Needs Determination (RHND). The chosen factors and weights are then used to adjust a jurisdiction's baseline allocation up or down, depending on how a jurisdiction scores on a factor compared to other jurisdictions in the region. By design, the factors are placed on the same scale such that a factor can modify the baseline in the range from 50 percent to 150 percent: Jurisdictions scoring at the top for the region will get baseline share times 1.5, while jurisdictions scoring at the bottom for the region will get baseline share times 0.5. This scaling approach helps distribute RHNA units throughout the region by ensuring that even a jurisdiction with a low score gets an allocation from each factor and placing a limit on how many units can be assigned to a jurisdiction with a high score.

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<sup>1</sup> This new allocation factor is also available within the [RHNA online visualization tool](#), where it is labeled as "Future Housing Growth (Draft Blueprint)."

## **Potential Baseline Allocation Options**

**Figure 1** includes maps that show each jurisdiction's share of the regional total for the following baseline allocation options:<sup>2</sup>

- Households 2019: The methodology options presented prior to the July meeting all used a jurisdiction's share of total households in 2019 as the baseline allocation.
- Future Housing Growth 2015-2050 (Draft Blueprint): A jurisdiction's share of Bay Area household growth through 2050, consistent with the growth pattern in the Plan Bay Area 2050 Draft Blueprint (as discussed in July). This approach is consistent with how long-range forecasts have been used in ABAG's methodologies for previous RHNA cycles.
- Future Year 2050 Households (Draft Blueprint): A jurisdiction's share of Bay Area households in 2050, consistent with the future household distribution in the Plan Bay Area 2050 Draft Blueprint. As noted above, this is a new option being introduced for the August HMC meeting as a potential option for using the Plan in the RHNA methodology as a baseline allocation. This baseline takes into consideration a jurisdiction's existing households plus its household growth from the Draft Blueprint.
- Existing Jobs: At the June HMC meeting, committee members came to consensus around several recommendations to guide selection of the RHNA methodology. These recommendations included directing more housing to jurisdictions with more jobs than housing and focusing on the relationship between housing and jobs. In July, several HMC members reiterated the importance of linking housing to jobs. In response, staff developed the existing jobs baseline, which would divide the RHNA among local jurisdictions based on each jurisdiction's share of the region's total jobs. This calculation uses LEHD data from the Census Bureau, which was most recently updated in 2017.<sup>3</sup>
- Urbanized Land Area: At the July HMC meeting, several members proposed using a jurisdiction's land area as the baseline allocation, as this would prevent the effects of a jurisdiction's past land use decisions from impacting the RHNA methodology's outcomes. Staff calculated land area by using the Census Bureau's definition of urbanized land and excluding lands protected from development under federal or state programs. This approach uses publicly available data sources<sup>4</sup> and is consistent with Housing Element Law in that it excludes state and federally protected lands from the calculation of a jurisdiction's land area, but it does not exclude locally-designated parks or protected lands since these may qualify as local land use restrictions.<sup>5</sup>

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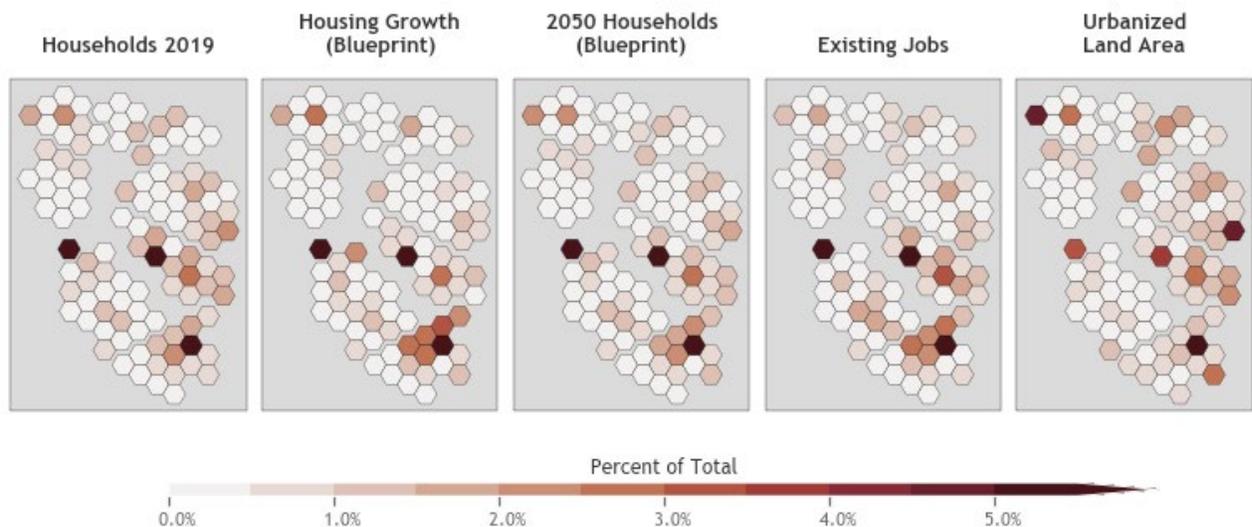
<sup>2</sup> All baseline options listed here are now available within the [RHNA online visualization tool](#).

<sup>3</sup> Data from U.S. Census Bureau, Longitudinal Employer-Household Dynamics, Workplace Area Characteristics file, with jobs from 2015-2017 averaged at the city level.

<sup>4</sup> Data on urbanized lands is from the [Census Bureau](#) and data on state and federal open spaces are from [California Protected Areas Database \(CPAD\)](#), from the GreenInfo Network. Areas controlled by local cities directly were excluded.

<sup>5</sup> [Government Code Section 65584.04\(e\)](#) describes factors the RHNA methodology must consider as well as factors ABAG cannot include in the RHNA methodology. Notably, the statute states that ABAG "may not limit its

**Figure 1: Jurisdiction Share of Regional Total for Baseline Allocation Options**



The results displayed in Figure 1 are independent of any methodology option and focus on the underlying pattern for each baseline. Detailed versions of the maps in Figure 1 that label each jurisdiction and show its share of the regional total are included in **Appendix 1**. Observations on this decision point include:

- San Jose, San Francisco, and Oakland exhibit high shares of the regional totals in all of the options except Urbanized Land Area (where only San Jose has a particularly high share of the region’s total).
- For Households 2019, in addition to the three big cities, many communities throughout the Bay Area show higher shares of total households, particularly in the East Bay and Santa Rosa.
- The Housing Growth (Blueprint) baseline and Existing Jobs baseline exhibit a similar emphasis on jurisdictions in the South Bay, although the Existing Jobs baseline also shows jurisdictions with higher shares of the total in the East Bay, along the Peninsula, and in Santa Rosa.
- The 2050 Households (Blueprint) baseline shows the highest shares of the regional total in the three big cities with more moderate shares in South Bay jurisdictions, and with a more even distribution throughout the region, similar to Households 2019.
- The Urbanized Land Area baseline emphasizes San Jose, several unincorporated areas, Fremont, Santa Rosa, and Fairfield and jurisdictions on the outer edges of the region.

**Table 1** summarizes some of the pros and cons of each of the five baseline allocation options.

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consideration of suitable housing sites or land suitable for urban development to existing zoning ordinances and land use restrictions of a locality.” The statute also notes that the RHNA methodology needs to consider “[l]ands preserved or protected from urban development under existing *federal or state programs*.” [Emphasis added].

**Table 1: Pros and Cons of Baseline Allocation Options**

	<b>Pros</b>	<b>Cons</b>
<b>Households 2019</b>	<ul style="list-style-type: none"> <li>• More even distribution of RHNA throughout region</li> <li>• Few issues with achieving consistency with Plan Bay Area (with current weights/factors)</li> <li>• Not dependent on Final Blueprint slated for approval this fall</li> </ul>	<ul style="list-style-type: none"> <li>• Directs more RHNA to jurisdictions that have historically built housing</li> <li>• If HMC wants RHNA methodology to emphasize topics currently addressed in the Plan (e.g., hazards, transit, market feasibility, etc.) they may need to be added as allocation factors</li> </ul>
<b>Future Year 2050 Households (Draft Blueprint)</b>	<ul style="list-style-type: none"> <li>• Considers both existing households as well as expected future growth</li> <li>• Integrates transit, hazards, and market feasibility through strategies and modeling</li> <li>• Better aligned with Plan Bay Area 2050 than 2019 households</li> </ul>	<ul style="list-style-type: none"> <li>• Blueprint will continue to evolve in summer &amp; fall based upon Plan public engagement</li> </ul>
<b>Future Housing Growth 2015-2050 (Draft Blueprint)</b>	<ul style="list-style-type: none"> <li>• Integrates transit, hazards, and market feasibility through strategies and modeling</li> <li>• Best aligned with Plan Bay Area 2050</li> <li>• Emphasis on employment patterns leads to RHNA allocations more focused in Silicon Valley, region’s largest job center</li> <li>• Higher RHNA allocations in high-resource areas near major job centers – notably in South Bay</li> </ul>	<ul style="list-style-type: none"> <li>• Lower RHNA allocations for some high-resource areas with more limited transit services</li> <li>• Blueprint will continue to evolve in summer &amp; fall via Plan public engagement</li> </ul>
<b>Urbanized Land Area</b>	<ul style="list-style-type: none"> <li>• Growth more evenly spread throughout region</li> <li>• Past land use decisions do not affect RHNA allocations</li> <li>• Not dependent on Final Blueprint slated for approval this fall</li> </ul>	<ul style="list-style-type: none"> <li>• Works against focused growth: three big cities have smallest shares of regional totals and unincorporated areas have highest shares of regional totals in this baseline</li> <li>• Significant concerns for achieving consistency with Plan Bay Area 2050 (<i>see page 12 for more on the evaluating consistency</i>).</li> <li>• If HMC wants RHNA methodology to emphasize topics currently addressed in the Plan, they may need to be added as allocation factors</li> </ul>
<b>Existing Jobs</b>	<ul style="list-style-type: none"> <li>• Rationale of promoting more housing near jobs is easily understandable</li> <li>• Not dependent on Final Blueprint slated for approval this fall</li> </ul>	<ul style="list-style-type: none"> <li>• Relative to Households 2019, directs smaller shares of RHNA units to exclusive residential communities</li> <li>• Some issues would need to be addressed to achieve consistency with Plan Bay Area 2050</li> <li>• If HMC wants RHNA methodology to emphasize topics currently addressed in the Plan, they may need to be added as allocation factors</li> </ul>

As the Households 2019 and 2050 Households (Blueprint) baselines appear to be most successful at achieving both statutory objectives and regional planning goals, the analyses that follow focus solely on methodology options paired with these two baselines. However, all five baseline options are now incorporated in the [RHNA online visualization tool](#), so HMC members and the public can explore how Existing Jobs, Urbanized Land Area, and all other baseline options pair with different methodologies.

Staff chose to continue to include the Households 2019 baseline for analyses since the HMC is familiar with this option and expressed support for it in past meetings. 2050 Households (Blueprint) provides a middle ground between using Households 2019 and Housing Growth (Blueprint), since this option considers both existing households as well as expected future growth. Some HMC members expressed hesitation over using Housing Growth (Blueprint) as the baseline due its concentrated growth in the South Bay. However, the 2050 Households (Blueprint) baseline provides a more even growth distribution while still aligning directly with Plan Bay Area 2050 and reflecting how transit, hazards, and market feasibility are incorporated in the Plan. Accordingly, staff felt that the HMC might prefer 2050 Households (Blueprint) over Housing Growth (Blueprint) as a way to incorporate Plan Bay Area 2050 in the RHNA methodology baseline.

Staff decided not to incorporate the Existing Jobs or Urbanized Land Area baselines when analyzing methodology options for the August HMC meeting. The Existing Jobs baseline is similar in its distribution to the baselines from the Draft Blueprint. In addition, staff's analyses of methodology options using the Existing Jobs baseline indicated they did not perform well on the performance metrics related to affirmatively furthering fair housing, and did not distribute growth in ways that align with the equity-centered goals shared by both the HMC and the statutes governing the RHNA process.

The Urbanized Land Area baseline resulted in a very dispersed growth pattern, with housing directed away from the region's three big cities of San Jose, San Francisco, and Oakland and significant allocations to unincorporated areas. This baseline failed to direct housing toward jurisdictions with access to jobs and transit, and it produced results counter to the sustainability-centered emphasis shared by both state law and the HMC. As a result of this dispersed growth pattern, there were significant issues related to achieving consistency with Plan Bay Area 2050 (see page 12 for more information about the approach for evaluating consistency).

The charts in **Appendix 2** show each jurisdiction's initial allocation for all five baseline options and compare the impact of the Households 2019 and 2050 Households (Blueprint) baseline

allocation options on the total units allocated to a jurisdiction under six different methodology scenarios:<sup>6</sup>

- *Option 1A: Bottom-Up - 3-Factor Concept*
- *Option 1B: Bottom-Up - 3-Factor Concept with Adjusted Income Groupings (see page 11 for details)*
- *Option 2A: Bottom-Up - Balanced Blueprint/High Resource Areas*
- *Option 2B: Bottom-Up - Balanced Blueprint/High Resource Areas with Adjusted Income Groupings*
- *Option 3: Income Shift 125% - Housing/Jobs Crescent*
- *Option 4: Income Shift 125% - Balanced Blueprint/High Resource Areas*

Below, **Table 2** displays the factors and weights that make up the six methodology concepts mentioned above.

**Table 2: Factors and Weights in Six Potential Methodology Concepts**

<p><b>1. Bottom-Up - 3-Factor Concept</b> <b><i>Very Low and Low</i></b></p> <ul style="list-style-type: none"> <li>• 40% - Access to High Opportunity Areas</li> <li>• 40% - Jobs-Housing Fit</li> <li>• 20% - Job Proximity – Transit</li> </ul> <p><b><i>Moderate and Above Moderate</i></b></p> <ul style="list-style-type: none"> <li>• 50% - Job Proximity – Auto</li> <li>• 30% - Job Proximity – Transit</li> <li>• 20% - Jobs-Housing Balance</li> </ul>	<p><b>2. Bottom-Up - 3-Factor Concept with Adjusted Income Groupings</b> <b><i>Very Low, Low, and Moderate</i></b></p> <ul style="list-style-type: none"> <li>• 40% - Access to High Opportunity Areas</li> <li>• 40% - Jobs-Housing Fit</li> <li>• 20% - Job Proximity – Transit</li> </ul> <p><b><i>Above Moderate</i></b></p> <ul style="list-style-type: none"> <li>• 50% - Job Proximity – Auto</li> <li>• 30% - Job Proximity – Transit</li> <li>• 20% - Jobs-Housing Balance</li> </ul>
<p><b>3. Bottom-Up - Balanced Blueprint/High Resource Areas</b> <b><i>Very Low and Low</i></b></p> <ul style="list-style-type: none"> <li>• 70% - Access to High Opportunity Areas</li> <li>• 30% - Future Housing Growth</li> </ul> <p><b><i>Moderate and Above Moderate</i></b></p> <ul style="list-style-type: none"> <li>• 70% - Future Housing Growth</li> <li>• 30% - Access to High Opportunity Areas</li> </ul>	<p><b>4. Bottom-Up - Balanced Blueprint/High Resource Areas with Adjusted Income Groupings</b> <b><i>Very Low, Low, and Moderate</i></b></p> <ul style="list-style-type: none"> <li>• 40% - Access to High Opportunity Areas</li> <li>• 40% - Future Housing Growth</li> </ul> <p><b><i>Above Moderate</i></b></p> <ul style="list-style-type: none"> <li>• 40% - Access to High Opportunity Areas</li> <li>• 40% - Future Housing Growth</li> </ul>
<p><b>5. Income Shift 125% - Housing/Jobs Crescent</b></p> <ul style="list-style-type: none"> <li>• 50% - Access to High Opportunity Areas</li> <li>• 10% - Jobs Proximity – Transit</li> <li>• 10% - Jobs-Housing Balance</li> <li>• 10% - Jobs-Housing Fit</li> <li>• 10% - Transit</li> </ul>	<p><b>6. Income Shift 125% - Balanced Blueprint/High Resource Areas</b></p> <ul style="list-style-type: none"> <li>• 50% - Access to High Opportunity Areas</li> <li>• 50% - Future Housing Growth</li> </ul>

<sup>6</sup> For simplicity, staff is only showing only one of the Income Shift methodologies and one of the Bottom-Up concepts. The other methodology options that the HMC has discussed previously are still under consideration.

In addition to the primary content in **Appendix 2** discussed above, more detailed content is provided in:

- **Appendix 3** includes maps comparing the RHNA allocations for these six methodology concepts using the Households 2019 and 2050 Households (Blueprint) baseline allocations.
- **Appendix 4** shows the allocation results by income for every jurisdiction.
- **Appendix 5** is a table that shows the allocations for each jurisdiction for each of these methodology concepts.

### **Building the RHNA Methodology: Income Allocation Approach**

The second step in building the foundation of the RHNA methodology is selecting an approach for allocating units by income. The two methodology concepts for the income allocation that the HMC has been discussing to date are the *Income Shift* and the *Bottom-Up* concept:

- **Income Shift.** In this approach, the total number of units allocated to a jurisdiction is identified first, and the income allocation methodology is used to distribute that total among the four income categories.<sup>7</sup> In the Income Shift approach, a jurisdiction's distribution of households by income is compared to the distribution for the region. The Income Shift moves the local income distributions closer to or beyond the regional distribution, depending on the income shift multiplier. A jurisdiction that has a higher percentage of existing households in a given income category compared to the region receives a smaller share of units in that income category, and vice versa.
- **Bottom-Up.** In contrast to the Income Shift, the Bottom-Up income allocation approach does not start with a total allocation assigned with a factor-based methodology. Instead, this approach uses factors to determine allocations for the four income categories, and the sum of these income group allocations represents a jurisdiction's total allocation.

**Table 3** shows the pros and cons for the income allocation approaches.

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<sup>7</sup> State law defines the following RHNA income categories:

- Very Low Income: households earning less than 50 percent of Area Median Income (AMI)
- Low Income: households earning 50 - 80 percent of AMI
- Moderate Income: households earning 80 - 120 percent of AMI
- Above Moderate Income: households earning 120 percent or more of AMI

**Table 3: Summary of Pros and Cons for Income Allocation Approaches**

<b>Approach</b>	<b>Pros</b>	<b>Cons</b>
Income Shift	<ul style="list-style-type: none"> <li>• Allows narrative focus to be on total allocation factors</li> <li>• Directly related to statutory objective</li> <li>• Multiplier can be adjusted to complement underlying total allocation methodology</li> </ul>	<ul style="list-style-type: none"> <li>• Cannot finetune income allocations with factors</li> <li>• Mechanical adjustment to income categories introduces concerns about over-allocating market-rate units to jurisdictions with higher shares of lower-income households</li> </ul>
Bottom-Up	<ul style="list-style-type: none"> <li>• Allows more fine-grained control over allocations for a particular income category</li> <li>• Could enable a stronger narrative for how methodology divides allocation by income</li> <li>• More directly supports statutory fair housing goals by enabling lower-income units to be directed specifically toward areas of opportunity</li> </ul>	<ul style="list-style-type: none"> <li>• Could be more complex, depending on number of factors used</li> <li>• Assigning units by income category first results in less direct control over total unit allocations</li> </ul>

**Regrouping Income Categories for Bottom-Up Concepts**

The HMC did not come to any resolution about which income allocation approach to pursue at its meeting in July. However, in the HMC’s discussions to date, it appears that members are leaning in favor of the Bottom-Up approach. The discussion in July prompted one proposed change to how the Bottom-Up approach groups the different RHNA income categories. The Bottom-Up methodologies proposed by staff use two factor-based calculations: one set of factors determine the allocation of very low- and low-income units, while another set of factors determines the allocation for moderate- and above moderate-income units.

Part of staff’s rationale for this grouping was that very low- and low-income units are often co-located in affordable housing developments funded by government subsidy. On the other hand, the main government subsidy programs that produce affordable housing cannot be used for moderate-income units. Thus, moderate-income units are likely to be located within market-rate projects subject to inclusionary housing ordinances, or moderate-income units may be produced by the market in some of the inland communities at the region’s periphery. Consequently, staff proposed that the Bottom-Up approach could use the same factors for very low- and low-income units and the same factors for moderate- and above moderate-income units.

Several HMC members suggested changing the grouping for the Bottom Up approach so moderate-income units would be allocated using the same factors as very low- and low-income units while a separate calculation would be used only for above moderate-income units. HMC members noted that the market in the Bay Area largely does not produce moderate-income

units, so it would be more sensible to group these units with lower-income units, as the construction of all three types of units require some type of policy intervention.

HMC members also noted this regrouping would align better with the Streamlined Ministerial Approval Process<sup>8</sup> established by Senate Bill 35 (2017)<sup>9</sup> and modified by Assembly Bill 1485 (2019).<sup>10</sup> HCD's [Updated Streamlined Ministerial Approval Process Guidelines](#) published in April 2020 note that if a Bay Area jurisdiction has not made sufficient progress toward its above moderate-income RHNA, a housing development qualifies for streamlined approval if 10 percent of units are for households making 80 percent of Area Median Income (AMI) or below (very low- and low-income) or if 20 percent of units are for households making 120 percent AMI and below (moderate-income and below). Accordingly, isolating above moderate-income units and grouping very low-, low-, and moderate-income units together as suggested by several HMC members aligns with groupings already recognized in state law.

Staff concludes that either grouping for the Bottom-Up approach (the original grouping proposed by staff or the revisions suggested by some HMC members) has a justifiable policy rationale. Ultimately, it is up to the HMC to decide which grouping produces better outcomes for the region.

Overall, the regrouping has a minimal impact on the RHNA methodology's outcomes. Since a different set of factors now determines the allocation of moderate-income units, the only change is in the number of moderate-income units assigned to each jurisdiction. As moderate-income units are only 16 percent of the RHND, a jurisdiction's total allocation is unlikely to change substantially due to this regrouping. Generally speaking, the main impact is that suburban jurisdictions with more high-income residents see a slight increase in their moderate-income allocations and overall RHNA, while the larger cities and more economically diverse jurisdictions see a slight decrease in their moderate-income allocations and overall RHNA. Details about the allocations by income for every jurisdiction for the different methodology concepts are available in Appendices 4 and 5.

### **Consistency Between RHNA and Plan Bay Area 2050**

At the July HMC meeting, some committee members noted the need for consistency between RHNA and Plan Bay Area 2050 as a consideration in deciding whether or not to use the Draft Blueprint in the methodology. Housing Element Law requires that RHNA "shall allocate housing units within the region consistent with the development pattern included in [Plan Bay Area 2050]."<sup>11</sup> The statute does not provide any additional guidance about how to evaluate consistency between RHNA and the Plan. At the July meeting, HMC members asked staff to follow up with staff from the California Department of Housing and Community Development

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<sup>8</sup> [Government Code Section 65913.4.](#)

<sup>9</sup> More information on Senate Bill 35 is available [here](#).

<sup>10</sup> More information on Assembly Bill 1485 is available [here](#).

<sup>11</sup> [Government Code Section 65584.04\(m\)\(1\).](#)

(HCD) for additional guidance about how to interpret this statutory requirement. ABAG/MTC staff consulted with HCD staff, and they confirmed that Housing Element Law does not task HCD with determining or making findings of consistency. Therefore, it is up to the COG to explain how the RHNA methodology is consistent with the Plan.

The approach that ABAG/MTC staff has identified for determining consistency is based on a comparison of RHNA allocations to the household growth pattern in Plan Bay Area 2050. Given that Plan Bay Area 2050 includes a growth pattern at the county level and at the subcounty level,<sup>12</sup> staff proposes to compare the 8-year RHNA housing growth and the 30-year Plan Bay Area 2050 housing growth to ensure that in no cases does the 8-year growth level exceed the 30-year growth level at either of these geographic levels. Since the RHNA allocations are at a jurisdictional level, they have been summed to enable comparison with Plan Bay Area 2050 growth projections. When this criterion is met for both county and subcounty geographic levels, RHNA and Plan Bay Area 2050 will be determined to be consistent.

Staff has tested the proposed approach for evaluating consistency on the set of six methodology options paired with the Households 2019 and 2050 Households (Blueprint) baseline allocations. These analyses indicate that there are no consistency issues for any of these proposed options as they are currently constructed. As the HMC continues to make refinements as it moves toward the proposed methodology, staff will evaluate the options for consistency and consider potential mitigations in the RHNA and/or Plan Bay Area 2050 processes if issue areas arise. Ultimately, the Final Blueprint (action slated in September 2020) and the Proposed Methodology (action slated in October 2020) will need to be consistent.

### **Performance Evaluation Results for Methodology Options**

For the May HMC meeting, staff prepared a set of potential metrics for evaluating RHNA methodology options. These metrics intend to assist the HMC with assessing whether a proposed methodology will meet the statutory RHNA objectives and further regional planning goals. Staff based some of these metrics on the analysis conducted by HCD in evaluating the RHNA methodologies completed by other regions in California.<sup>13</sup> Other metrics reflected input from stakeholders and staff's interpretation of statutory language. After receiving feedback from the HMC in May, staff revised the initial set of proposed metrics based on what appeared to be most relevant to HMC members. This revised set of metrics is currently incorporated in the RHNA online visualization tool. Additionally, staff's presentation at the July HMC meeting used these metrics to analyze the methodology options discussed in the materials for that meeting.

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<sup>12</sup> There are 34 subcounty areas ("superdistricts") in the Bay Area; the geography was developed in the early 2000s to explore development patterns at a more localized scale. More information is available here:

<http://opendata.mtc.ca.gov/datasets/travel-model-super-districts?geometry=-124.477%2C37.698%2C-120.404%2C38.454>

<sup>13</sup> For copies of letters HCD sent to other regions, see [this document](#) from the January 2020 HMC meeting agenda packet.

Similar to the analysis presented in July, **Appendix 6** shows the performance evaluation results for the following methodology concepts using the Households 2019 and 2050 Households (Blueprint) baseline allocation options:

- *Option 1A: Bottom-Up - 3-Factor Concept*
- *Option 1B: Bottom-Up - 3-Factor Concept with Adjusted Income Groupings*
- *Option 2A: Bottom-Up - Balanced Blueprint/High Resource Areas*
- *Option 2B: Bottom-Up - Balanced Blueprint/High Resource Areas with Adjusted Income Groupings*
- *Option 3: Income Shift 125% - Housing/Jobs Crescent*
- *Option 4: Income Shift 125% - Balanced Blueprint/High Resource Areas*

Since the July meeting, staff has changed one metric: *Measure 5b - Household Growth in High Divergence Score Areas with High-Income Households*. The measure compared, for each jurisdiction, its share of households in 2019 with its share of the RHNA allocation. If the jurisdiction's share of RHNA was at least as large as the jurisdiction's share of the region's households, the jurisdiction was counted as having a proportional allocation of RHNA. The metric then reported on the percentage of these "proportional" cities within the group of cities that was both relatively more segregated and relatively higher income compared to the region.

One downside of the metric we were previously using was that it did not take jurisdiction size into account. As a result, a proportional allocation to a number of small cities would get the same performance score as an allocation with the same number of larger cities seeing proportional growth, even if the latter would yield benefits to a much larger population. To better capture the impacted population, staff adjusted the measure to report on the ratio of RHNA share to household share for the group as a whole, instead of each city in the group individually. A value of 1 for the measure now means that the group of cities sees proportional growth relative to its starting household count.

Overall, all of the methodology options appear to achieve the statutory objectives when paired with either baseline. However, the methodologies using the Bottom-Up approach tend to perform the best on the evaluation metrics. The Bottom-Up 3-Factor methodology had the best performance on nearly every metric regardless of which baseline it was paired with, while the Bottom-Up Balanced Blueprint/High Resource Areas methodology (Households 2019 baseline) also performed strongly across the metrics. Below is a summary describing which methodology options appear to most effectively achieve each of the five statutory objectives:<sup>14</sup>

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<sup>14</sup> A list of the five statutory objectives is [available here](#).

**Objective 1 metric:** *Do jurisdictions with the most expensive housing costs receive a significant percentage of their RHNA as lower-income units?*

- **Results:** All options appear to further this objective. Both Bottom-Up options, **Option 1A: Bottom-Up - 3-Factor** (with either baseline) and **Option 2A: Bottom-Up - Balanced Blueprint/High Resource Areas** seem to be the most effective for achieving this objective, as they result in the most expensive jurisdictions receiving nearly 50 percent of their allocations as lower-income units.

**Objective 2 metrics:** *Do jurisdictions with the largest share of the region's jobs have the highest growth rates resulting from RHNA? Do jurisdictions with the largest share of the region's Transit Priority Area acres have the highest growth rates resulting from RHNA?*

- **Results:** All options appear to further this objective, and they all perform fairly comparably. **Options using data from the Draft Blueprint, either using 2050 Households (Blueprint) as the baseline or the Future Housing Growth allocation factor,** seem to most successfully achieve this objective, as they result in the jurisdictions with the most access to jobs and transit having the highest growth rates while areas with less access to jobs and transit experience lower growth.

**Objective 3 metric:** *Do jurisdictions with the most low-wage workers per housing unit affordable to low-wage workers receive a significant percentage of their RHNA as lower-income units?*

- **Results:** All options appear to further this objective. **Bottom-Up - 3-Factor** options (regardless of the baseline they are paired with) seem to be the most effective, as they result in jurisdictions with the most unbalanced jobs-housing fit receiving nearly 50 percent of their allocation as lower-income units.

**Objective 4 metrics:** *Do jurisdictions with the largest percentage of low-income residents receive a smaller share of their RHNA as lower-income units than jurisdictions with the largest percentage of high-income residents?*

- **Results:** All options appear to further this objective. Both Bottom-Up options, **Option 1A: Bottom-Up - 3-Factor** (with either baseline) and the **Option 2A: Bottom-Up - Balanced Blueprint/High Resource Areas**, seem to be the most effective, as they direct the highest share of lower-income RHNA to disproportionately high-income jurisdictions. These options also provide the most affordable housing for the jurisdictions with the most disproportionately large shares of low-income residents.

**Objective 5 metrics:** *Do jurisdictions with the largest percentage of households living in High or Highest Resource tracts receive a significant percentage of their RHNA as lower-income units? Do racially and economically exclusive jurisdictions receive allocations proportional to their share of the region's households?*

- **Results: Bottom-Up - 3-Factor** options (regardless of the baseline they are paired with) result in the highest shares of lower-income RHNA going to jurisdictions with the most access to opportunity. However, **Income Shift 125% - Housing/Jobs Crescent** options (regardless of the baseline they are paired with) are most effective at ensuring that jurisdictions exhibiting racial and economic exclusion receive allocations proportional to their share of the region’s households, seeing the largest ratios of RHNA relative to existing household shares.

### HMC Decision Points and Initial Staff Recommendations

This memo has provided information about several key topics to support the HMC in making decisions about the structure of the RHNA methodology. This section identifies the foundational decisions the HMC will need to make in order to advance the development of the RHNA methodology, as well as staff’s initial recommendations on these questions. These decision points will be the primary topics for discussion at the August HMC meeting.



**Decision Point #1: What baseline allocation does the HMC recommend for the RHNA methodology?**

Once the HMC chooses a baseline allocation, the factors and weights selected for the methodology would be used to adjust a jurisdiction’s starting allocation based on the baseline up or down depending on how the jurisdiction scored on the factor compared to other jurisdictions. Some of the key information HMC members can consider in deciding about what baseline they prefer includes:

- **Appendix 1** has maps of each jurisdiction’s share of the regional total for each baseline.
- **Table 1** (page 7) summarizes some of the pros and cons of the baseline options.
- **Appendix 2** (charts) and **Appendix 3** (maps) show the impact of the baseline options on total units allocated to a jurisdiction for different methodology options.
- **Appendix 6** shows variations in the performance evaluation results for the methodology options using different baselines.

**Initial Staff Recommendation:** Use the **2050 Households (Blueprint) baseline** because it captures the benefits of using the Plan Bay Area 2050 Blueprint in the RHNA methodology. It provides a middle ground between using Households 2019 and Housing Growth (Blueprint), since this option considers both existing households as well as expected future growth.

DECISION  
  
POINT

**Decision Point #2: If 2050 Households (Blueprint) is not selected as the baseline, does the HMC recommend using the Blueprint as a factor in the methodology?**

One option for using Plan Bay Area 2050 in the RHNA methodology would be to use it as a baseline allocation. A second option would be to use it as an allocation factor. HMC members can consider the following information in deciding about using the Blueprint as a factor:

- **Appendix 2** (charts) and **Appendix 3** (maps) show the impact of the baseline options on total units allocated to a jurisdiction for different methodology options. **Appendix 4** shows charts of the allocation results by income for every jurisdiction.
- **Appendix 5** shows the numbers used to generate these charts and maps.
- **Appendix 6** shows variations in the performance evaluation results for the methodology options using different baselines.

***Initial Staff Recommendation:** If the 2050 Households (Blueprint) baseline is not selected in Decision Point #1, **include the Future Housing Growth factor** from the Blueprint. This would help to capture the benefits of using the Plan Bay Area 2050 Blueprint in the RHNA methodology, while retaining an alternative baseline.*

DECISION  
  
POINT

**Decision Point #3: Does the HMC recommend the Income Shift or Bottom-Up approach?**

The second defining feature of the structure of the RHNA methodology is choosing between the Income Shift and Bottom-Up concepts for the income allocation approach. HMC members can consider the following information in deciding about what baseline they prefer:

- **Table 3** (page 10) summarizes the pros and cons of the income allocation options.
- **Appendix 4** shows charts of the allocation results by income for every jurisdiction.
- **Appendix 5** shows the numbers used to generate these charts and maps.
- **Appendix 6** shows variations in the performance evaluation results for the methodology options using different baselines.

***Initial Staff Recommendation:** Use the **Bottom-Up income allocation approach**, because it consistently performs the best on the evaluation metrics. It also allows greater flexibility to adjust the income allocations to direct more lower-income units to jurisdictions with a disproportionate share of higher-income households. Furthermore, it also directs fewer market-rate units to*

*jurisdictions with a disproportionate share of lower-income households to reduce displacement pressures.*

### **Next Steps**

At the August 13 meeting, staff will seek recommendations from the HMC related to the three key decision points mentioned above. This will set the foundation for the RHNA methodology. After the HMC has reached consensus on setting the foundation for the RHNA methodology, future meetings, including the meeting added on August 28, will focus on making decisions about the specific factors to include in the methodology and how to weight them. Staff will also seek a decision about adjusting the income groupings for the Bottom-Up concepts if that income allocation approach is selected by the HMC. Staff also proposes to seek confirmation about the performance evaluation metrics. Staff encourages HMC members to explore the new options in the [RHNA online visualization tool](#) between meetings to help them prepare for making these decisions.