

# ABAG Report to MCCMC<sup>1</sup>

March 2022

## EXECUTIVE SUMMARY:

- 1) **Bay Area Secures over \$650 Million in State Funding for 1,372 Affordable Homes:** In February, the Governor's office announced the first round of awards for the California Housing Accelerator. The first round of awards totaled \$923M with projects within the Bay Area securing over \$650M in funding.
- 2) **California State Auditor report on the Regional Housing Needs Assessment process used by the CA Housing and Community Development.** On March 17, 2022, the California State Auditor released their evaluation of the Regional Housing Needs Assessment process that the Department of Housing and Community Development (HCD) uses to provide key housing guidance for the State's local governments. The report states: "Overall, our audit determined that HCD does not ensure that its needs assessments are accurate and adequately supported."
- 3) **Housing Element Webinar and Assistance:** ABAG will conduct a webinar on March 25, 2022 from 10:00 to 12:00 on technical assistance available on housing elements and planning for housing in the wildland-urban interface. This webinar will also feature the new Middle Housing Development Tool that was developed to help jurisdictions better understand the market potential for middle housing development in their communities.
- 4) **ABAG/MTC Housing Funding Request for FY 2022-23 State Budget:** ABAG/MTC will be requesting \$7 billion as part of the F 2022-23 State Budget for affordable housing and homelessness .
- 5) **Regional Housing Needs Assessment Process Review:** The ABAG Executive Board discussed the 6<sup>th</sup> cycle RHNA process and discussed possible areas for process and methodology improvements and possible legislative changes for the 7<sup>th</sup> RHNA cycle.
- 6) **MTC's Draft Transit Oriented Communities (TOC) Policy:** The ABAG Executive Board provided feedback on MTC's Transit Oriented Communities Draft Policy.
- 7) **AB 1944:** The ABAG Executive Board voted to support AB 1944 with amendments. This bill proposes Brown Act changes to allow for hybrid meetings and changes the noticing requirements for virtual attendance.

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## **Bay Area Secures over \$650 Million in State Funding for 1,372 Affordable Homes:**

In February, the Governor's office announced the first round of awards for the California Housing Accelerator, a \$1.75 billion one-time investment to provide bridge funds to shovel-ready affordable housing projects. The program is derived from funds from the federal American Rescue Plan Act of 2021. The first round of awards totaled \$923 million with projects within the Bay Area securing over \$650 million in funding (roughly 71%) that will lead to the production of 1,372 new affordable homes. The Housing Accelerator prioritizes projects for people experiencing homelessness and for those below 30 percent of the Area Median Income. Nearly all projects are expected to break ground this summer.

## **California State Auditor report on the Regional Housing Needs Assessment process used by the CA Housing and Community Development:**

On March 17, 2022, the California State Auditor released their evaluation of the Regional Housing Needs Assessment process that the Department of Housing and Community Development (HCD) uses to provide key housing guidance for the State's local governments.

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<sup>1</sup> Marin County Council of Mayors and Councilmembers (MCCMC)

As part of the Legislature's efforts to ensure that the State is planning for the construction of enough homes to meet its housing needs and that cities and counties are facilitating that development, state law requires the Department of Housing and Community Development (HCD) to conduct periodic housing needs assessments to determine existing and projected housing needs throughout California. HCD fulfills its responsibilities under state law by creating Regional Housing Needs Assessments. State law requires HCD to use population projections developed by the Department of Finance (Finance) when it completes the needs assessments. Finance factors into its projections multiple sources of information, including data from the U.S. Census Bureau (Census) and records of driver's licenses, births and deaths, school enrollments, and tax filings. Finance provides state- and county-level population projections to assist state, regional, and local planning, among other purposes. Finance also projects the number of future households, based on the population projections and the percentage of people in the population who are expected to form their own households in the future, which is known as the household formation rate.

The chair of the Joint Legislative Audit Committee directed the California State Auditor to conduct an ***emergency audit*** to examine HCD's regional housing needs determination process. This audit was in part due to recent stakeholder criticism of the needs assessment process and HCD's needs assessments. For example, some homeowners and advocacy organizations believe that HCD's needs assessments have produced higher numbers of housing needs than are reasonable. Changes to state law that became *effective in January 2019 allow HCD to account for present unmet housing needs in addition to future housing needs*. Potentially as a result of these statutory changes, some regions received housing needs allocations that are more than double the amount of their previous allocations.

Also, two lawsuits were filed that challenge HCD's process, including one that alleges that HCD did not consider all factors as required by state law. In one lawsuit, the Orange County Council of Governments, which is independent from the larger Southern California Association of Governments, sued HCD, alleging that HCD failed to use the appropriate population forecast, failed to appropriately evaluate household overcrowding and cost burden rates, and used unreasonable vacancy rates. In the other lawsuit, several interested individuals and two nonprofit corporations filed a lawsuit alleging that HCD failed to consider data regarding the relationship between jobs and housing in its assessment for the Association of Bay Area Governments, which is the San Francisco Bay Area council of governments. Both lawsuits are pending final resolution.

Due to the pending litigation, the California State Auditor, as part of this emergency audit, reviewed HCD's regional housing needs assessments for the following areas: the Sacramento Council, the Santa Barbara Association, and Amador County.

### **Summary of Recommendations**

The report states: "Overall, our audit determined that HCD does not ensure that its needs assessments are accurate and adequately supported." Following is a summary of the specific findings and recommendations for the State legislature, HCD and the Department of Finance:

**Legislature:** To provide HCD additional clarity and guidance in conducting its vacancy rate adjustments, the Legislature should amend state law to clarify whether HCD should continue to use a healthy vacancy rate that includes both rental and owned housing or whether it should determine and use separate healthy vacancy rates for owned housing and rental housing.

**HCD:** To ensure that its needs assessments are accurate and do not contain unnecessary errors, by June 2022 HCD should institute a process to ensure that its staff performs multiple reviews of data in its assessments. To demonstrate that its needs assessments are complete and address all relevant factors, by September 2022 HCD should establish a formal process to document its consideration of all factors required by state law in its needs assessments. To ensure that it adequately supports the vacancy rate adjustments it makes to needs assessments, by February 2023 HCD should perform a formal analysis of healthy vacancy rates and historical trends to inform those adjustments.

**Finance:** To ensure that the household formation rates that it provides HCD are appropriate, Finance should, by February 2023, conduct a comprehensive review of its assumptions about the household formation rates it uses in projections, and it should document that review.

Both the HCD and Finance agreed with the recommendations of the California State Auditor and plan to implement them over the next year. The entire report is posted at: [Report 2021-125 \(ca.gov\)](#)

### **Housing Element Webinar and Technical Assistance:**

On **March 25, 2022 from 10:00 to 12:00** ABAG will conduct a webinar on technical assistance available for local governments on housing elements and planning for housing in the wildland-urban interface. Dr. Tiffany Manuel will talk about how to have productive conversations with your residents about housing. Dr. Manuel has worked with both the Chan Zuckerberg Initiative and the Non-Profit Housing Association of Northern California, bringing her research to efforts to shift regional conversations around housing equity and access. Keynote speaker Attendees will learn about available assistance for Housing Element updates. Staff will present first year program highlights and future work and discuss new tools available related to wildfire prevention and the new [Middle Housing Development Tool](#) which helps jurisdictions understand the market potential for middle housing development in their communities. An overview of communications resources designed for elected officials and staff will also be provided. Registration is available from the ABAG home page: [www.abag.ca.gov](http://www.abag.ca.gov).

Additional technical assistance on housing is available on ABAG's website: [Regional Housing Technical Assistance | Association of Bay Area Governments](#)

The graphic is titled "REGIONAL HOUSING TECHNICAL ASSISTANCE (RHTA)" in large blue letters. Below the title, it is divided into three columns of support services. The first column, "Regional Support", lists: Regional data tools; Housing Element training webinars; Deep dive workgroups on hot topics including Missing Middle & Wildfire; Guidance on implementing new laws including SB9 & Affirmatively Furthering Fair Housing; and Templates for common staff reports & presentations. The second column, "Subregional Support", lists: County Planning Collaboratives staffed to provide tailored TA; and Peer Cohorts for jurisdictions facing similar challenges. The third column, "Local Support", lists: REAP grants to all Bay Area jurisdictions for local planning; Regional Planning Consulting Bench; and Funding for community outreach. At the bottom left is the logo for the Association of Bay Area Governments (ABAG) with the text "Technical Assistance for Local Planning HOUSING". At the bottom right is the URL: <https://abag.ca.gov/our-work/housing/regional-housing-technical-assistance>

### **ABAG/MTC Housing Funding Request for FY 2022-23 State Budget:**

ABAG/MTC will be requesting \$7 billion for affordable housing as part of the 2022-2023 State Budget. This request may include:

- ✓ \$5.5 billion for **affordable housing production**, distributed as follows:
  - \$5 billion for the Multifamily Housing Program and California Housing Accelerator Program to move through the pipeline HCD-funded projects that are ready to go but awaiting gap funding and to tee up the next round of projects.
  - \$500 million for state LIHTC, consistent with the Governor's budget.
  - \$500 million to preserve naturally occurring affordable housing, to be distributed through a new Community Anti-Displacement and Preservation Program; advocate that the Bay Area Housing Financing Authority (BAHFA) be eligible to apply for these funds.
  - \$500 million for IIG funding to support the Governor's proposed "housing as a climate strategy," consistent with the Governor's budget.

- \$500 million for other affordable housing production, preservation or protection investments, including potentially investments for which the BAHFA could compete. This leaves open the opportunity to respond to new proposals and partner requests as they are refined over the coming months.
- ✓ \$2 billion (minimum) over two years for funding to support individuals experiencing homelessness.

**Regional Housing Needs Assessment (RHNA) Process Review:**

The ABAG Executive Board discussed the Regional Housing Needs Allocation (RHNA) Cycle 6 process conducted between 2019 and 2021 for ABAG and local jurisdictions and identified possible areas for process improvements, methodology changes and possible legislative changes for the 7<sup>th</sup> RHNA cycle. We discussed High Resource Areas, definitions for land availability and underutilized land, local jurisdiction surveys issued by ABAG, Sub-regions, city-to-city RHNA transfers, environmental hazards including, but not limited to, very high, high and moderate fire risks (ABAG treated counties differently than cities), WUI designations, sea level rise, flooding, availability of potable water, access (or lack of) to data, low property tax cities, etc.. ABAG staff will bring back proposed action items for additional discussion.

**MTC’s Draft Transit Oriented Communities (TOC) Policy:**

MTC is updating their Resolution #3434 which was amended in 2005 to include one of the first ‘transit oriented development (TOD)’ policies in the United States. This policy aligned local land use planning with regional transit investments to support transit ridership. The proposed revision would change the focus include both Priority Development

Areas and Transit Rich Areas and establish requirements for densities and other policies in order to be eligible for transportation funding.

**MTC Res. 3434 TOD Policy (2005)**

- Only applies to half-mile station areas for specific transit expansion projects
- Minimum corridor-level housing thresholds by transit mode
- Must satisfy policy requirements before regional discretionary funds are programmed or allocated for transit expansion project

**Proposed TOC Policy**

- Plan Bay Area 2050 PDAs and TRAs with existing and/or future high-quality transit:
  - Focus on fixed guideway and rapid bus projects, including extensions and major improvements
- Requirements for:
  - Allowable residential and office densities
  - Affordable housing and anti-displacement
  - Parking management
  - Station access and circulation

Since this TOC policy will drive future grant programs for local governments on transit and housing, the ABAG Executive Board had a robust discussion on some of the proposed concepts. Specifically, we expressed concerns about the ‘one size fits all’ approach on the residential and commercial densities and emphasized that there should be more flexibility in the requirements. MTC will be bringing the revised TOC policy back to the ABAG Executive Board.

**AB 1944:**

On March 17, 2022, the ABAG Executive Board voted to support AB 1944 with amendments AB 1944 proposes changes to the Brown Act to allow for hybrid meetings and changes the noticing requirements for virtual attendance.

## UPCOMING MEETINGS<sup>2</sup>

- **March 25, 2022 – Metropolitan Transportation Commission, 9:35 am**  
**MTC Bay Area Toll Authority, 9:40 am**  
**MTC Bay Area Headquarters Authority, 9:45 am**  
**MTC Bay Area Infrastructure Financing Authority, 9:50 am**
- **April 8, 2022 -- MTC Operations Committee, 9:35 am**  
**Joint MTC ABAG Legislation Committee, 9:40 am**  
**Joint MTC Planning Committee and ABAG Administrative Committee, 9:45 am**  
**ABAG ACFA Governing Board, 1:30 pm**  
**ABAG Executive Board, 1:45 pm**
- **April 13, 2022 -- MTC Bay Area Toll Authority Oversight Committee, 9:35 am**  
**MTC Administrative Committee, 9:40 am**  
**MTC Programming and Allocation Committee, 9:45 am**
- **April 14, 2022 -- ABAG Regional Planning Committee, 10:00 am**  
**ABAG Housing Committee, 1:00 pm**  
**ABAG Bay Area Housing Finance Authority Oversight Committee, 1:00 pm**
- **April 15, 2022 -- Bay Area Regional Collaborative, 10:05 am**
- **April 21, 2022 -- ABAG Power Executive Committee, 11:00 am**  
**ABAG Finance Committee, 5:00 pm**  
**ABAG ACFA Governing Board, 5:15 pm**  
**ABAG Executive Board, 5:30 pm**
- **April 27, 2022 -- Metropolitan Transportation Commission, 9:35 am**  
**MTC Bay Area Toll Authority, 9:40 am**  
**MTC Bay Area HQ Authority, 9:45 am**  
**MTC Bay Area Infrastructure Financing Authority, 9:50 am**  
**Bay Area Housing Finance Authority, 9:55 am**
- **April 28, 2022 -- ABAG San Francisco Bay Trail Board of Directors, 12:00 pm**
- **May 12, 2022 -- ABAG Housing Committee, 1:00 pm**  
**ABAG Bay Area Housing Finance Authority Oversight Committee, 1:00 pm**

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<sup>2</sup> All meetings are 'hybrid' which means that some Board/Committee members will be in person at 375 Beale Street, SF; and, others will be participating via Zoom, webcast, teleconference, unless noted otherwise. <https://mtc.legistar.com/> If you have questions, contact Pat Eklund, Councilmember, City of Novato at 415-883-9116 or via email at: [pateklund@comcast.net](mailto:pateklund@comcast.net).