

Report on ABAG to MCCMC¹

June 2020

EXECUTIVE SUMMARY:

- 1) **Planning for the Bay Area’s Future:** On June 25, 2020, beginning at 145pm, ABAG/MTC will conduct a **free webinar** designed for local elected officials on ABAG/MTC’s planning activities and the nexus with housing. The session includes presentations on Plan Bay Area 2050, the Regional Housing Needs Allocation (RHNA) and Regional Early Planning (REAP) grant activities. **To register:** <https://www.eventbrite.com/e/abag-webinar-planning-for-the-bay-areas-future-registration-109059852956>
- 2) **Regional Housing Needs Determination (RHND):** On June 10, 2020, ABAG received the CA Department of Housing and Community Development’s (HCD’s) “Regional Housing Needs Determination” for the 6th cycle which is **441,176** housing units between 2022 and 2030. The ABAG Executive Board agreed to accept the notice of determination from HCD at the June 18, 2020 Board meeting.
- 3) **ABAG RHNA Methodology:** The Methodology Committee discussed options for allocating units by income that are aligned with the statutory objectives of RHNA. These options will significantly impact how many very low, low, moderate and above moderate housing units are allocated to each jurisdiction.
- 4) **Bay Area Housing Finance Authority (BAHFA) and Expanded Regional Housing Portfolio:** The ABAG Board voted to support the ‘framework for an expanded regional housing portfolio’. By taking this action, the staff will fund Phase 1 by re-programming \$400,000 of REAP funding from RHNA to this effort; and, accepting \$100,000 from *Bay Area Housing for All*.
- 5) **Formation of an ABAG Housing Committee:** On June 18, 2020, the ABAG Executive Board approved President Arreguin’s request to form a new Housing Committee, as a standing committee of ABAG.
- 6) **ABAG General Assembly:** On June 11, 2020, the General Assembly adopted the Proposed FY 2020-2021 \$83.4M budget on a 58 (Y); 19 (N); and 1 (A) vote; and, changed the ABAG Bylaws on a vote to allow the Executive Board to amend the detailed budget to accommodate new or additional revenue sources received after the July 1 adoption of the detailed budget by the General Assembly. I would like to thank the following ABAG Delegates/Alternates from Marin County who participated in the General Assembly: **Steve Burdo, San Anselmo; Maribeth Bushey, San Rafael; Joan Cox, Sausalito; Pat Eklund, Novato; Renee Goddard, Fairfax; William Kircher, Ross; Claire Mcauliffe, Belvedere; and, Tricia Ossa, Mill Valley.**

Regional Housing Needs Determination (RHND) for 6th Cycle 2022-2030: On June 10, 2020, ABAG received the proposed Cycle 6 RHND from HCD after consultation with ABAG. HCD’s assessment for the SF Bay Area between 2022 and 2030 is **441,176 housing units**. Of the total identified need:

- 25.9% would be for very-low income households (**114,442 units**)
- 14.9% would be for low income households (**65,892 units**)
- 16.5% would be for moderate income households (**72,712 units**)
- 42.6% would be for above-moderate income households (**188,130 units**)

As shown below, this RHND is the largest in over two decades! It is 135% more than the 5th cycle.

3rd Cycle 1999 - 2006	4th Cycle 2007 - 2014	5th Cycle 2014 - 2022	6th Cycle 2022 - 2030
230,743	214,500	187,990	441,176

As mentioned in last month’s report, ABAG expected the RHND would be a higher total regional housing need. Some of the reasons were: HCD’s identification of the RHND now:

¹ Marin County Council of Mayors and Councilmembers (MCCMC)

- 1) accounts for unmet existing need, rather than only projected housing need;
- 2) considers overcrowded households, cost burdened households (those paying more than 30% of their income for housing), and
- 3) accounts for a target vacancy rate for a healthy housing market (with a minimum of 5 percent).

At the ABAG Executive Board meeting on June 18, 2020, staff indicated that if we wanted to object to the RHND under California Government Code 65584.01(c), we must do so within 30 days of receipt of the RHND (July 10, 2020). Staff mentioned that HCD agreed to ABAG staff's request to use the **lower** Department of Finance population forecast when calculating the RHND, as well as other technical inputs provided during consultation. And, since staff has not identified any technical inaccuracies in the RHND calculation, staff recommended and the ABAG Executive Board agreed to accept the notice of determination.

During the discussion, I requested that ABAG follow up with HCD on our May 11, 2020 letter since a response has not been forthcoming. The letter requested confirmation "that these current deadlines remain operable, and whether HCD is exploring further flexibility on allocation methodology deadlines and Housing Element deadlines (included in Article 10.6 of California Government Code) given the current crisis." The letter also expresses concern about availability of funding "Given the current crisis, we are concerned that the State budget will not appropriate sufficient funds for these programs, and request that HCD work to ensure maintenance of these resources, as they are essential to assisting local jurisdictions during these times." ABAG President Arreguin indicated that he would be following up with HCD.

Following is how HCD arrived at the 6th Cycle Regional Housing Need Assessment **of 441,176 for 2022 to 2030:**

**HCD REGIONAL HOUSING NEED DETERMINATION:
ABAG June 30, 2021 through December 31, 2030**

Methodology

ABAG: PROJECTION PERIOD (8.5 years) HCD Determined Population, Households, & Housing Unit Need		
Reference No.	Step Taken to Calculate Regional Housing Need	Amount
1.	Population: December 31 2030 (DOF June 30 2030 projection adjusted + 6 months to December 31 2030)	8,273,975
2.	<i>- Group Quarters Population: December 31 2030 (DOF June 30 2030 projection adjusted + 6 months to December 31 2030)</i>	-169,755
3.	Household (HH) Population	8,159,280
4.	Projected Households	3,023,735
5.	+ Vacancy Adjustment (3.27%)	+98,799
6.	+ Overcrowding Adjustment (3.13%)	+94,605
7.	+ Replacement Adjustment (.50%)	+15,120
8.	<i>- Occupied Units (HHs) estimated June 30, 2022</i>	-2,800,185
9.	+ Cost-burden Adjustment	+9,102
Total	6th Cycle Regional Housing Need Assessment (RHNA)	441,176

HCD will be expecting housing elements to affirmatively further fair housing. According to HCD, achieving this objective includes preventing segregation and poverty concentration as well as increasing access to areas of opportunity. HCD has mapped 'Housing Opportunity Areas' (highlighted in April 2019 and February 2020 ABAG reports) and has developed guidance for jurisdictions on how to address affirmatively furthering fair housing in Housing Elements.

As mentioned in last month's report, there will be greater HCD oversight of RHNA. ABAG and sub-regions must now submit the draft allocation methodology to HCD for review and comment. HCD can also appeal **a jurisdiction's** draft allocation. Also, identifying Housing Element sites for affordable units will be more challenging. There are new limits on the extent to which jurisdictions can reuse sites included in previous Housing Elements and increased scrutiny of small, large, and non-vacant sites when these sites are proposed to accommodate units for very low- and low-income households.

ABAG Housing Methodology Committee: The Regional Housing Needs Allocation (RHNA) methodology must assign a total number of housing units to each Bay Area jurisdiction and distribute each jurisdiction’s allocation among four income categories that include households at all income levels (see page 1 for HCD’s allocation of units by income). Housing element law includes the objective that RHNA “allocate a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category. This means that the RHNA methodology will in part be assessed by HCD in terms of how the allocation works to counter-balance existing concentrations of wealth or poverty. State law also requires the RHNA methodology to improve coordination between the locations of low-wage jobs and housing affordable to low-wage workers (jobs-housing fit). The RHNA Methodology must also affirmatively further fair housing which will require allocating more lower income units to communities that historically have not provided affordable housing.

At the June 19, 2020 meeting of the Housing Methodology Committee, there was great discussion between options for allocating units by income that are aligned with the statutory objectives of RHNA. They are:

The Committee met on Friday, June 19, 2020 and discussed the following options (and, sub options):

1) **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. This option has two separate variants:

- a. Income Shift (used by the San Diego region and ABAG last RHNA cycle); and,
- b. Income Shift Plus Equity-Focused factors (used by the Los Angeles and Sacramento regions).

2) **Bottoms-Up.** In this approach, the income allocation methodology is used to identify the number of units for each income category, and the sum of units in the four income categories equals a jurisdiction’s total allocation. With this option, there are two separate variants: a. Bottom-Up with 2-Factor Concept; and, b. Bottom-Up with 3 Factor Concept. See the chart below for an explanation of this option:

Bottom-Up 2-Factor Concept	Bottom-Up 3-Factor Concept
Affordable: <i>Very Low and Low</i>	Affordable: <i>Very Low and Low</i>
<ul style="list-style-type: none"> • Access to High Opportunity Areas 50% • Jobs-Housing Fit 50% 	<ul style="list-style-type: none"> • Access to High Opportunity Areas 40% • Jobs-Housing Fit 40% • Job Proximity – Transit 20%
Market-Rate: <i>Moderate and Above Moderate</i>	Market-Rate: <i>Moderate and Above Moderate</i>
<ul style="list-style-type: none"> • Job Proximity – Auto 50% • Jobs-Housing Balance 50% 	<ul style="list-style-type: none"> • Job Proximity – Auto 50% • Job Proximity – Transit 30% • Jobs-Housing Balance 20%

The Committee agreed that additional work and discussion was needed before a recommendation could be made. In addition, there are other factors the Committee may like to discuss depending on the draft Plan Bay Area 2050 Blueprint. Our next meeting is July 9, 2020.

Meanwhile, ABAG/MTC staff has developed a great tool that will show you how the various factors affect our individual RHNA allocation. This tool has been updated to include the different factors in assigning the number of housing units by the four income categories. Here is the link: <https://rhna-factors.mtcanalytics.org/>.

Bay Area Housing Finance Authority (BAHFA) and Expanded Regional Housing Portfolio: Last year, AB 1487 (Chiu) created BAHFA which is composed of the MTC Commissioners. This entity was created to allow the region to generate funding for housing by placing funding measures on the ballot in the Region, establishing a head tax or other options. AB 1487 also affords BAHFA the power to advance the “3 Ps” across the Bay Area. While not legally required to activate BAHFA absent a ballot measure, there is some thought that BAHFA may be able to help with financing housing.

Staff developed an initial strategic framework for an expanded regional housing portfolio. This initial framework includes a list of guiding principles which are:

1. Collaborative, Multi-agency Strategy. Pursue a strategy rooted in partnership between ABAG, MTC, and BAHFA—with ABAG in a leading role.
2. Advance the “3Ps” Framework. Ensure the expanded housing portfolio comprehensively addresses the need to protect current residents from displacement, preserve existing housing, and produce new affordable housing.
3. Embrace Innovation and Creativity. Craft innovative approaches to overcome persistent challenges in the region’s housing ecosystem.
4. Multi-Sector Partnerships. Cultivate partnerships that leverage other public and private efforts on housing; focus on value-add activities that complement, scale up, and/or fill gaps in existing approaches.
5. Equity-Focused Approach. Prioritize communities that are most impacted by the region’s affordability crisis, especially low-income communities and communities of color.
6. Achieve Scale. Strive for housing strategies that meet the scale of the region’s housing problems.
7. Ensure Financial Sustainability. Right-size new programs to available resources to ensure sustainable fiscal health of the agencies along with any expansion of activities.

During the Executive Board meeting, I requested an additional guiding principle that this effort not compete against cities and counties for grants because ABAG, a member organization, should not be competing for limited grants with our membership. After some discussion, the maker of the motion, Mayor Rich Garbarino, City of South San Francisco accepted the friendly amendment; however, Supervisor Ramos, Napa County did not believe the entity should be restricted against competing for grants against cities and counties. She stated “These are competitive grants” after all. After other city representatives (Mayor Halliday, Hayward and Vice Mayor Gibbons, Campbell) indicated support, it was mentioned that we could discuss this further in the Housing Committee.

The Framework includes a phased approach. Phase 1 involves exploring potential revenue sources; supporting the administrative infrastructure for an expanded housing portfolio, including the establishment of a new ABAG Housing Committee and the BAHFA Board; and, developing a Regional Housing Portfolio Business Plan. Phase 2 would involve initiating pilot activities (depending on funding availability). Phase 3 would involve expanding upon earlier successes with exploration of a regional ballot measure for housing.

	Phase 1 PLANNING	Phase 2 EARLY STAGE PILOT ACTIVITIES	Phase 3 EXPAND UPON EARLY SUCCESSSES
	(next 3 months)	(3-12 months)	(12 months & beyond)
Regional Housing Portfolio Business Plan	<ul style="list-style-type: none"> Develop scope of work Secure funding Release RFP Select consultant(s) 	<ul style="list-style-type: none"> Oversee consultants Regular reports to and direction from policymakers 	
Assess Revenue & Partnership Opportunities	<ul style="list-style-type: none"> Track state and federal efforts; Strategically intervene as appropriate Engage w/ public & private stakeholders to explore potential partnerships 	<ul style="list-style-type: none"> Revenue generation activities as appropriate Continue to explore and form initial partnerships 	
Expanded Programming		Examples include: <ul style="list-style-type: none"> Regional affordable housing platform to streamline applications; COVID-related “protections” TA Evaluate existing regional housing funds Share best practices and host local agency convenings 	Consider recommendations from Business Plan for <ul style="list-style-type: none"> TBD housing finance Funding coordination Technical assistance enhanced data gathering, and Explore a future regional ballot measure
Support Boards and Committees	Support regional policymakers, including to-be-formed ABAG Housing Committee, BAHFA Board, and BAHFA Advisory Committee.		
TOTAL COST	\$300-500K	TBD [pending activities & revenue]	TBD [pending activities & revenue]

Staff informed the Board that ABAG/MTC received a letter (dated May 5, 2020) from **Bay Area Housing For All** offering “to engage in a partnership to ensure this critical work continues to move forward. We have identified \$100,000 in assistance.” In addition, staff identified \$400,000 in REAP funding that was dedicated to RHNA which is no longer needed. This provides the funding needed for Phase 1. After some discussion, the ABAG Executive Board voted to support the ‘framework for an expanded regional housing portfolio’.

Formation of an ABAG Housing Committee: On June 18, 2020, the ABAG Executive Board approved President Arreguin request to form a new Housing Committee, as a standing committee of ABAG. This new Committee would ensure that ABAG as a greater leadership role in implementing an ‘expanded regional housing portfolio’ by advising the Executive Board on housing implementation activities (as opposed to regional housing planning). This will include all items in the expanded regional housing portfolio developed as part of the implementation of AB 1487, such as new affordable housing finance strategies, housing-related technical assistance to local jurisdictions across the “3Ps”, a potential regional affordable housing application platform, enhanced housing data gathering, and a potential future regional housing funding measure. The Housing Committee will also advise the Executive Board on policies and programs to address homelessness.

The committee members appointed include: Mayor Jesse Arreguin, City of Berkeley ; Mayor Pro Tem Pat Eklund, City of Novato; Supervisor Bella Ramos, County of Napa; Vice-Mayor Carlos Romero, East Palo Alto; Supervisor Cindy Chavez, Santa Clara County; Councilmember Lynette Gibson McElhaney, City of Oakland; Supervisor Gordon Mar, City and County of San Francisco; Mayor Julie Pierce, City of Clayton; Mayor Lori Wilson, City of Suisun City; Councilmember Jake Mackenzie, City of Rohnert Park; and, Councilmember Wayne Lee, City of Millbrae.

ABAG General Assembly: On June 11, 2020, the General Assembly adopted the Proposed FY 2020-2021 budget with 58 (Y); 19 (N); and 1 (A) vote; and, changed the ABAG Bylaws to allow the Executive Board to amend the detailed budget to accommodate new or additional revenue sources received after the adoption of the budget by the General Assembly.

On the ABAG Proposed FY 2020-2021 budget, the staff reported the following:

- \$83.4M Budget is balanced for FY 2020-2021 with most revenue from grants; membership dues up 2.2%; and, the past County surcharge now spread to all members under revised formula.
- ABAG’s financial condition continues to improve – ABAG has retired their unfunded OPEB liability; PERS obligations continue to decline; BayRen Grants continue to grow; Estuary Partnership is nearly self-supporting; and, ABAG is in a positive cash flow.

At the General Assembly, there was considerable debate on whether ABAG’s budget should be reduced since all cities and counties are experiencing significant budget issues. The ABAG President Arreguin committed at the General Assembly, he would follow up.

At the June 18, 2020 Executive Board meeting, President Arreguin stated he will be meeting with staff and will bring back proposed cost savings for discussion in the Fall to the ABAG Executive Board along with measures that would allow members to pay over time and other considerations for “hardship” cases. Following are the membership dues for the County and member cities in Marin County:

	Estimated Population	Dues		
		Approved	Proposed	Diff
		FY19-20	FY20-21	
	2021			
County of Marin	262,879	\$52,047	\$44,140	(\$7,907)
Belvedere	2,148	\$1,261	\$1,371	\$110
Fairfax	7,721	\$2,473	\$2,823	\$350
Larkspur	12,578	\$3,554	\$4,113	\$560
Mill Valley	14,675	\$4,140	\$4,793	\$653
Novato	54,115	\$12,972	\$15,327	\$2,356
Ross	2,526	\$1,350	\$1,477	\$127
San Anselmo	12,902	\$3,699	\$4,275	\$575
San Rafael	60,046	\$14,269	\$16,880	\$2,611
Sausalito	7,416	\$2,404	\$2,740	\$337
Tiburon	9,362	\$2,947	\$3,370	\$423

UPCOMING MEETINGS²

- **June 22, 2020 --** **Policy Advisory Council Equity & Access Subcommittee, 9:05 am**
- **June 24, 2020 --** **MTC Bay Area Toll Authority, 9:30 am**
MTC Bay Area Headquarters Authority, 9:40 am
MTC Bay Area Infrastructure Financing Authority, 9:45 am
MTC Service Authority for Freeways and Expressways, 9:50 am
MTC Commission, 9:50 am
Bay Area Housing Finance Authority, 10:00 am
ABAG/MTC Governance Committee, 12:30 pm
- **June 25, 2020 –** **Planning for the Bay Area’s Future, 1:45 pm**
This webinar, designed for local elected officials, will present information on ABAG-MTC’s planning activities and their nexus with housing. It includes presentations on Plan Bay Area 2050, the Regional Housing Needs Allocation and Regional Early Planning grant activities.
- **July 1, 2020 –** **ABAG Regional Planning Committee, 1:00 pm**
- **July 7, 2020 --** **MTC Regional Advisory Working Group, 9:30 am**
MTC Bay Area Partnership Board (Transit Operators), 2:00 pm
- **July 8, 2020 --** **MTC Bay Area Toll Authority Oversight Committee, 9:30 am**
MTC Administration Committee, 9:40 am
MTC Programming and Allocations Committee, 9:45 am
Policy Advisory Council, 1:30 pm
- **July 9, 2020 –** **ABAG Regional Housing Methodology Committee, 5:00 pm**
- **July 10, 2020 –** **MTC Operations Committee, 9:00 am**
Joint ABAG Administrative/MTC Planning Committees, 9:15 am
Joint MTC Legislation Committee and ABAG Legislation Committee, 10:30 am
- **July 16, 2020 –** **ABAG Finance Committee, 5:00 pm**
ABAG ACFA Governing Board, 5:10 pm
ABAG Executive Board, 7:00 pm
- **July 17, 2020 –** **Bay Area Regional Collaborative (ABAG, MTC, BAAQMD, BCDC), 10:00 am**
- **July 20, 2020 --** **MTC Partnership Technical Advisory Committee, 1:30 pm**
- **July 22, 2020--** **MTC Bay Area Toll Authority, 9:30 am**
MTC Bay Area Headquarters Authority, 9:40 am
MTC Bay Area Infrastructure Financing Authority, 9:45 am
MTC Service Authority for Freeways and Expressways, 9:50 am
MTC Commission, 9:50 am
Bay Area Housing Finance Authority, 10:00 am
ABAG/MTC Governance Committee, 12:30 pm
- **July 30, 2020 --** **MTC Policy Advisory Council Equity and Access Subcommittee, 1:00 pm**

If you have questions, contact Pat Eklund, Mayor Pro Tem, City of Novato at 415-883-9116; pateklund@comcast.net).

² All meetings are conducted via Zoom, webcast, teleconference, unless noted otherwise.