

Report on ABAG to MCCMC¹

May 2020

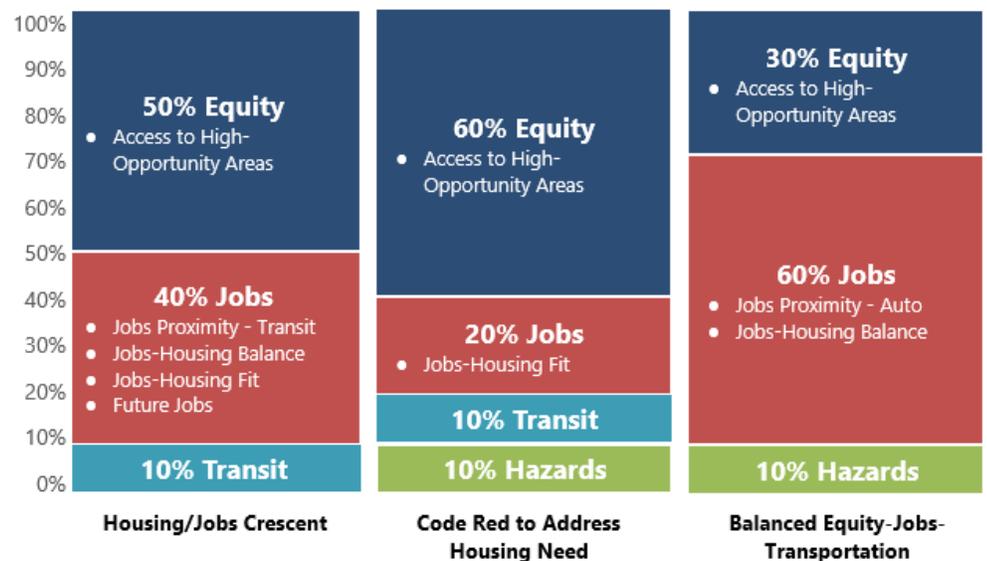
EXECUTIVE SUMMARY:

- 1) **General Assembly:** On June 11, 2020 at 11:00 a.m., the ABAG General Assembly will convene for all member cities and counties. The business meeting includes taking action on: ABAG's 2020/2021 Budget and Work plan; and, a Bylaws revision that allows the ABAG Executive Board to increase the budget if unanticipated grants are received after the budget is approved by the General Assembly. Each delegate and/or alternate for the cities and county should register as soon as possible at: <https://www.eventbrite.com/e/association-of-bay-area-governments-general-assembly-business-meeting-tickets-103714392540>
- 2) **Regional Housing Needs Allocation (RHNA):** The Housing Methodology Committee discussed distribution of housing units based on the income levels in the counties and the cities. The income levels have been incorporated into the RHNA tool. Here is the link to the tool: <https://rhna-factors.mtcanalytics.org/>.
- 3) **General Obligation Bond (GO Bond):** On May 21, 2020, the ABAG Board voted to postpone placing a General Obligation Bond measure on the November 2020 ballot for housing.
- 4) **Potential Future Bay Area Housing Finance Authority (BAHFA) Activities and Expanded Regional Housing Portfolio:** The ABAG Board voted to have staff bring back an expanded regional housing 'portfolio' or plan for a discussion in June that would include when to 'activate' BAHFA and what ABAG could do on the region's housing challenges.
- 5) **Bay Area Regional Collaborative (BARC):** BARC (composed of the Metropolitan Transportation Commission, the Association of Bay Area Governments, the San Francisco Bay Conservation and Development Commission and the Bay Area Air Quality Management District) has worked to establish the Bay Area as a leader in preparing for the impacts of climate change. On May 15, 2020, they voted to support 3 of the 4 recommendations for a legislative approach for climate adaptation and resiliency for the SF Bay Area.

Regional Housing Needs Allocation (RHNA) 6th Cycle 2022-2030: The RHNA allocation methodology is a formula that accommodates the Bay Area's total housing need by quantifying the number of housing units, separated into four income categories, that will be assigned to each city, town, and county to incorporate into its Housing Element. The methodology includes a baseline allocation which means that a larger jurisdiction will receive a larger allocation, but each jurisdiction starts out with an equal share of the total housing need relative to jurisdiction size. Then, the baseline would be adjusted either up or down by the following factors: Access to High Opportunity Areas; Divergence Index; Job Proximity (Auto and Transit); Vehicle Miles Travelled (VMT); Jobs-Housing Balance; Jobs-Housing Fit, Future Jobs; Transit Connectivity and Natural Hazards. The allocation formula assigns units based on relative relationships between jurisdictions within the region. The final result of the RHNA process is the allocation of housing units by income category to each jurisdiction.

In March, the breakout groups prioritized the factors, considered weights and developed an option. Then all Committee members voted by placing dots on preferred options. The top three methodology options are shown here:

Figure 3: Comparison of Top Three Methodology Options from March 2020 HMC Meeting



¹ Marin County Council of Mayors and Councilmembers (MCCMC)

In May, we discussed the following three options for allocating housing units based on income level:

Approach A: Income Shift Applied to Total Allocation This approach resembles the income allocation method from ABAG’s 2015-2023 RHNA, using an income shift approach where the local and regional income distributions are compared. For this approach, the income allocation shifts the local distribution closer to or beyond the regional distribution, depending on the income shift multiplier. In the last cycle, the income shift multiplier used by ABAG was 175 percent. In theory, setting the income shift multiplier above 100 percent could close the gap between a jurisdiction’s income distribution and the region’s distribution in a shorter period of time, but this more aggressive shift could also increase the potential for displacement by directing more market-rate units to jurisdictions with higher proportions of existing lower-income households.

Approach B: Using Factors Applied to Total Allocation – This approach takes an entirely different tack and use different weights and/or factors for different income categories, with the sum of the results for the four income categories determining a jurisdiction’s total allocation. In this income allocation approach, factors are used to assign units for the lower two income groups (very low- and low-income units). As an initial example, staff used the Jobs-Housing Fit and High Opportunity Areas factors. The Jobs-Housing Fit factor specifically relates to the relationship between lower-wage workers and housing units affordable to those workers and the High Opportunity Areas factor affirmatively furthers fair housing by assigning more lower-income units to high opportunity areas.

So, in this approach each jurisdiction starts with the same income distribution, as determined by HCD for the RHND. A jurisdiction’s share of units in the lower income categories is then adjusted up or down based on whether a city has relatively high or low scores compared to the region for the Jobs-Housing Fit and High Opportunity Areas factors. ABAG staff capped a jurisdiction’s adjustment from the RHND income distribution at 30 percent (15 percent for each of the two factors). Once the total share of lower income units is determined, the remainder of a jurisdiction’s units (as determined by the total allocation methodology) are assigned to the higher income categories (moderate- and above moderate-income units). Once these totals are set, the allocation is disaggregated into the four income categories using shares from the regional income distribution.

Approach C: Using Bottom-Up Income Allocation to Build the Total Allocation -- This approach does not start with a total allocation assigned with a factor-based methodology. Instead, it uses factors to determine allocations for the four income categories, and the sum

of these income group allocations represents a jurisdiction’s total allocation. Factors and weights could be modified, as appropriate. For example, ABAG staff used the Jobs-Housing Fit and High Opportunity Areas factors to determine the allocation of lower income units (very low- and low income) and the Jobs-Housing Balance and Job Proximity-Auto factors to determine the allocation of higher income units (moderate- and above-moderate income). A jurisdiction’s income distribution is determined based on how the jurisdiction scores relative to the rest of the region on the selected factors. The jurisdiction’s total allocation is calculated by summing the results for each income category.

Table 2 Summary of Benefits and Drawbacks for Income Allocation Approaches

Income Allocation Approach	Benefits	Drawbacks
Approach A: Income Shift	<ul style="list-style-type: none"> • Builds on work HMC has already done on total allocation • Allows narrative focus to be on factors for total allocation • Simpler concept, easier to explain • Directly related to statutory objective • Multiplier can be adjusted to complement underlying total allocation methodology 	<ul style="list-style-type: none"> • Does not include ability to finetune income allocations based on factors
Approach B: Factor-Based	<ul style="list-style-type: none"> • Builds on work HMC has already done on total allocation • Retains the two-step methodology approach of total income first, then income allocation, which may be more familiar from other RHNA methodologies • Allows opportunity to finetune results for a particular income category 	<ul style="list-style-type: none"> • Using factors also included in the total allocation methodology may result in overweighting those factors • Additional complexity compared to Income Shift Approach may not be warranted, given that equity-related factors already included in total allocation
Approach C: Bottom-Up	<ul style="list-style-type: none"> • Allows more fine-grained control over allocations for a particular income category • Could be simpler than Approach B, depending on number of factors used 	<ul style="list-style-type: none"> • New approach that departs from work HMC has done to date • Could be more complex, depending on number of factors used

ABAG/MTC staff has developed a great tool that will show you how the various factors affect our individual RHNA allocation. Here is the link: <https://rhna-factors.mtcanalytics.org/>.

ABAG expects to receive HCD’s Regional Housing Needs Determination (RHND) by July 2020. Pursuant to state housing element law (Government Code section 65584, et seq.), HCD is charged with determining the regional housing needs for the Bay Area for the period from 2023 to 2031. HCD divides the region’s housing need among four separate income groups:

- 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

To provide an example, the following table shows the distribution of Bay Area households by income from the most recent Census Bureau data for reference purposes.

Table 1 Bay Area Households, By Major Income Group

Income Group	Income Limit	Households	Percent
Very Low Income	0 - \$47,350	678,673	25.3%
Low Income	\$47,351 - \$75,760	411,670	15.3%
Moderate Income	\$75,760 - \$113,640	459,169	17.1%
Above Moderate Income	\$113,640 +	1,136,896	42.3%

Source: U.S. Census Bureau, American Community Survey PUMS data, 2018 5-year release

Recent legislation has implemented several changes that will affect this eight-year RHNA cycle (2023 to 2031). The key changes include:

- It is expected that there will be a higher total regional housing need. HCD’s identification of the RHND has changed to account for unmet existing need, rather than only projected housing need. HCD is now required to consider overcrowded households, cost burdened households (those paying more than 30% of their income for housing), and a target vacancy rate for a healthy housing market (with a minimum of 5 percent).
- RHNA plan and local Housing Elements must 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 Opportunity Areas and has developed guidance for jurisdictions about how to address affirmatively furthering fair housing in Housing Elements.
- 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.
- 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.

At the request of the ABAG Executive Board last month, ABAG sent a letter dated May 11, 2020 requesting HCD to “confirm 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.”

General Obligation (GO) Bond: Last year, housing advocates requested ABAG and MTC consider placing a GO Bond Measure on the November 2020 ballot to raise \$10 Billion across all 9 counties for housing. The proposed ballot measure would levy 35 cents per \$1,000 of assessed value, generating \$670 Million annually for approximately 30 years. Several regional polls (funded by other organizations) were conducted over the last 10-12 months which initially showed voter support for a ‘regional solution’ to the housing crisis and were receptive to a GO bond for production and preservation of affordable housing.

However, due to COVID-19, another poll was conducted by EMC (funded by the housing advocates) in May 2020. At the ABAG Board meeting on May 21, 2020, EMC and staff presented the results of the poll which showed a significant decline in voter support for the GO Bond. It was felt that the respondents were generally not supportive of increasing taxes even though concerns remained about homelessness and housing in general. Since a 2/3rds vote is required to pass a GO Bond and given the expense of placing a measure on the ballot in 9 Counties, staff recommended to postpone placing a bond measure on the ballot for housing. The ABAG Board voted to support staff recommendation.

Potential Future Bay Area Housing Finance Authority Activities and Expanded Regional Housing Portfolio:

Last year, AB 1487 (Chiu) created the Bay Area Housing Financing Authority (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.

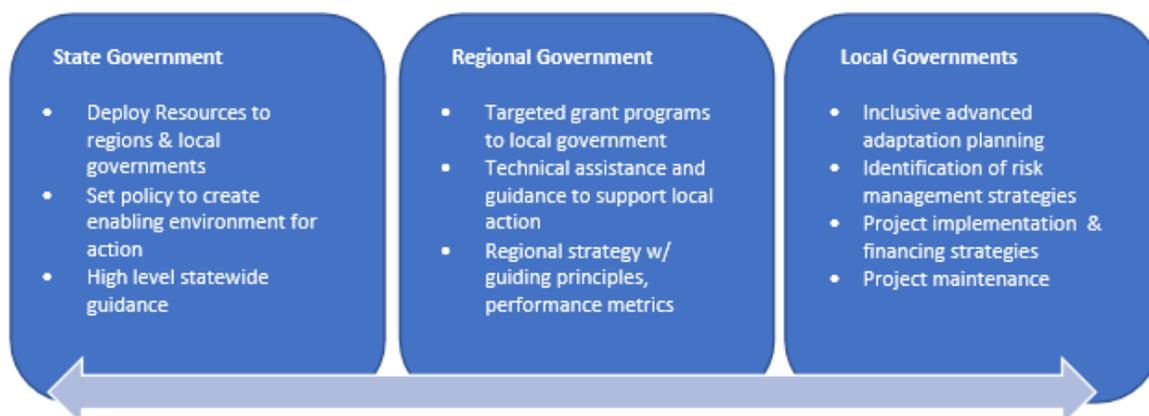
While not legally required to activate BAHFA on any specific timeline absent a ballot measure, the Board voted to have staff bring back an expanded regional housing ‘portfolio’ or plan for discussion in June that would include when to ‘activate’ BAHFA as one of a number of tools and what ABAG could do to address the region’s housing challenges. Staff listed some additional housing efforts that could be considered then including: 1) Supporting a Regional COVID-19 Housing Response; 2) Pivoting to a Counter-Cyclical Investment Approach; 3) Developing a comprehensive business plan; 4) Developing housing finance capacity (BAHFA, ACFA); 5) Facilitating regional funding coordination; 6) Providing technical assistance to local jurisdictions; 7) Developing a regional affordable housing platform; and, 8) Conducting enhanced data gathering. However, in the current budget environment, additional funding and resources would be needed to support any new housing activities.

Bay Area Regional Collaborative (BARC): BARC, through its member agencies the Metropolitan Transportation Commission, the Association of Bay Area Governments, the San Francisco Bay Conservation and Development Commission (BCDC) and the Bay Area Air Quality Management District, has worked collaboratively to establish the Bay Area as a leader in preparing for the impacts of climate change, including hazards such as increased flooding, sea level rise, wildfires and extreme heat.

A statewide climate adaptation and resiliency approach is challenging in a large, diverse state comprised of regions facing different types of climate hazards from wildfires, sea level rise, drought and extreme heat. Regions across California are comprised of small towns, cities and counties with varying levels of capacity to plan for and implement climate adaptation measures. The state’s role needs to be flexible enough to recognize where and how limited resources can be optimally deployed to achieve the best results.

The state can create greater efficiencies by granting resources directly to the large, urbanized regions where regional planning agencies already have high capacity to conduct regional planning, work closely with local governments and deploy grants strategically to meet shared goals. Hands-on state-level guidance and technical support would be best utilized in more rural and dispersed areas where staffing capacity is limited, and climate adaptation efforts are nascent or just getting started.

Figure 1: Examples of Government Roles in Climate Resilience at Different Scales



Over the next year, resiliency-related legislation at the state level should be oriented towards creating a coherent approach that reinforces these roles. The following are recommendations for how BARC and its member agencies believe climate adaptation legislation, including a potential resilience bond, can best be structured to support successful climate adaptation in the Bay Area while deploying scarce resources most efficiently to build upon progress that has already been made:

- **Recommendation 1:** Designate Metropolitan Planning Organizations (MPOs) as the Regional Agencies to Support Climate Adaptation and Resilience Efforts at the Regional Scale.
In the four major metropolitan areas of the state, MPOs can deliver planning, funding, and guidance most efficiently and equitably to local governments.
- **Recommendation 2:** Establish a Regional Grant Program to Fund Regional Planning Guidance, Local Advanced Adaptation Planning and Prioritization of a Pipeline of Resilience Projects.
To ensure the state's major metropolitan areas are prepared to deliver critically needed climate adaptation projects once significant funding for capital improvements becomes available, we recommend the Legislature first appropriate \$40 million in funds to support regional and local agency advanced adaptation planning, with the majority of funds being distributed to local stakeholders.
- **Recommendation 3:** Leverage any forthcoming funds whether in the form of a state resilience bond, state/federal infrastructure stimulus or some other mechanism to respond to both the impacts of COVID-19 while also advancing climate adaptation and resilience objectives.
Bond or stimulus funds can support the development of infrastructure projects that help rebuild our economy and create jobs, while also meeting climate adaptation objectives
- **Recommendation 4:** Strengthen the Bond's Support of the Bay Area's Most Socio-Economically Vulnerable.
We recommend that state-designated low-income communities be designated as eligible recipients of funds targeted to both disadvantaged communities and vulnerable populations. (not the narrow definition of disadvantaged communities used to distribute Cap-and Trade funds).

After considerable discussion, BARC voted to support Recommendations 2-4 and continue the discussion on which entity should be the Regional lead since some felt the BCDC should take the lead rather than the MPO.

UPCOMING MEETINGS²

- **May 27, 2020--** MTC Commission, 9:30 am
ABAG/MTC Governance Committee, 9:35 am
- **June 9, 2020--** Regional Advisory Working Group, 9:30 am
- **June 10, 2020 –** Joint ABAG Administrative/MTC Planning Committees, 9:40 am
- **June 10, 2020 –** MTC Policy Advisory Council, 1:30 pm
- **June 11, 2020--** ABAG General Assembly, 11:00 am
- **June 12, 2020--** Joint ABAG/MTC Legislative Committees, 9:30 am
Joint ABAG Administrative/MTC Planning Committee, 9:40 am
- **June 18, 2020--** ABAG Finance Committee, 5:00 pm
ABAG Executive Board Meeting, 7:00 pm
- **June 24, 2020--** MTC Commission, 9:30 am
ABAG/MTC Governance Committee, 10:00 am

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.