



MEMORANDUM

Community Development Department

DATE: July 2, 2020

TO: City Council

FROM: Aarti Shrivastava, Assistant City Manager/Community Development Director

VIA: Kimbra McCarthy, City Manager

SUBJECT: RHNA Sixth Cycle (2023-31) and Plan Bay Area 2050 Update

This memo summarizes the status of the Regional Housing Needs Allocation Sixth Cycle (RHNA 6), which will assign housing target numbers to Bay Area cities for the 2023-31 period and Plan Bay Area 2050, which is a related, long-range visioning exercise for the region.

RHNA Summary

Every city in California is assigned a housing growth target as part of the Housing Element update process. This target, or RHNA, is based on the State's overall projection for regional growth and is distributed to each jurisdiction in the region through an allocation methodology that will weigh factors such as access to jobs or good schools, among others. The average Bay Area city will likely see their RHNA numbers increase significantly, perhaps two to three times greater than the last Housing Element allocations, with job-rich cities potentially seeing much greater allocations.

Plan Bay Area Summary

There is a parallel process under way by the Metropolitan Transportation Commission/ Association of Bay Area Governments (MTC/ABAG) called the Plan Bay Area 2050/Blueprint (PBA 2050 or Blueprint for short).

PBA is the Bay Area's Sustainable Communities Strategy (SCS), which is required pursuant to Senate Bill 375. SB 375 requires metropolitan planning organizations (ABAG for the Bay Area) to adopt an SCS to achieve greenhouse gas (GHG) emission reduction targets. This long-term, 30-year visioning exercise imagines what the Bay Area might look like if cities and regional counties made specific policy choices.

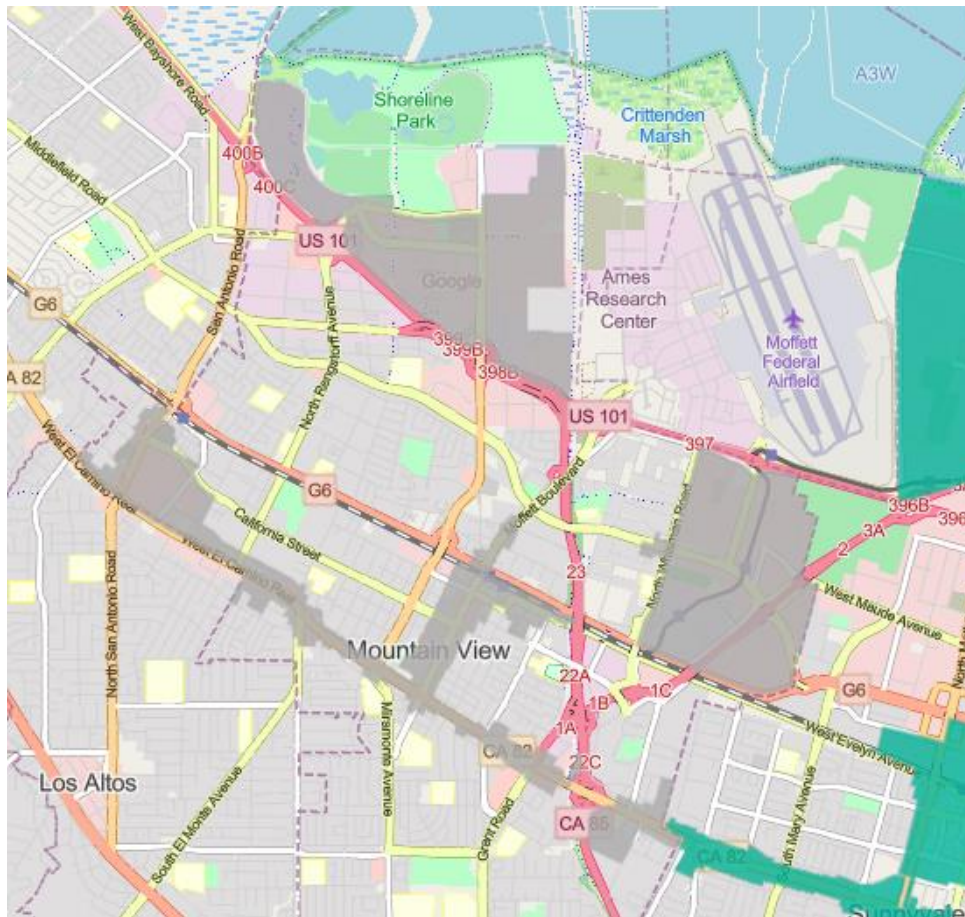
Notably, the scenarios imagined through PBA do not obligate cities to take action. Local jurisdictions still retain land use authority. The RHNA methodology must be “consistent” with Plan Bay Area.

Plan Bay Area affects the Housing Elements in several ways:

- Setting the maximum RHNA for each jurisdiction—A City’s RHNA cannot be higher than the growth projected in Plan Bay Area. However, since PBA is a 30-year document and Housing Elements are eight-year documents, it is not likely that this cap will come into effect.
- Potentially determining the RHNA for each jurisdiction—The Housing Methodology Committee may decide to use the maps created by Plan Bay Area to completely determine each city’s RHNA or use it in combination with other factors.
- Potentially changing the regional number—The region’s number, i.e., the size of the pie, may be impacted, although this is a small factor.

City staff provided technical feedback for Plan Bay Area regarding the City’s PDAs (Priority Development Areas). This information included updated boundaries for the El Camino and Downtown areas to be consistent with their Precise Plan boundaries (previously they were more generalized boundaries) but did not nominate any additional PDA areas.

The map screenshot below shows the Priority Development Areas (PDAs) within Mountain View that help inform Plan Bay Area growth assumptions. The City’s PDAs include North Bayshore, East Whisman, Downtown, Moffett, El Camino, and San Antonio, and are shown in gray. Of these PDAs, all are “change areas” identified by the City’s 2030 General Plan, except for Downtown.



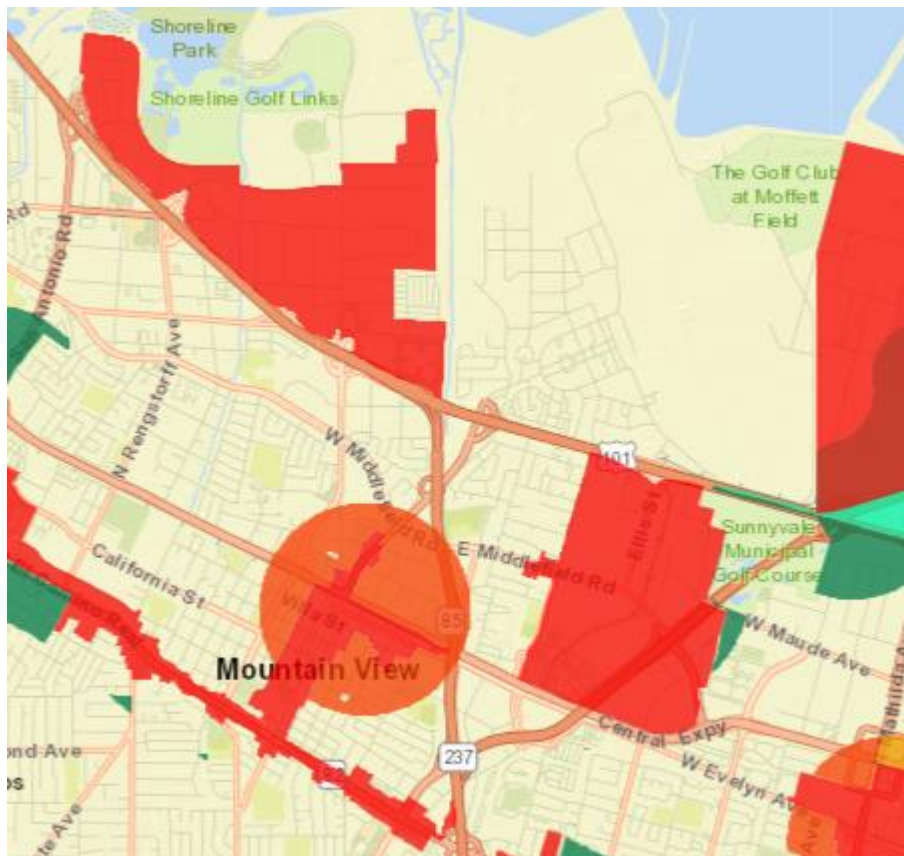
Map – Priority Development Areas within Mountain View

One of the challenges ABAG faced is that not enough Bay Area PDAs were developing as originally envisioned, making it difficult to meet the region’s GHG emission targets and housing needs. As a result, the ABAG Executive Board decided to assume some growth in both existing and newly proposed PDAs, but also assume some additional growth in areas outside of PDAs in the following areas:

- Transit-Rich Areas (TRAs) – Areas within one-half mile of a regional rail station and within one-half mile of a bus line with headways of 15 minutes or better during peak periods.
- High-Resource Areas (HRAs) – Areas of “high opportunity” with low residential density that are within one-quarter mile of a bus stop with 16- to 30-minute peak period headways.

NOTE: Portions of areas in TRAs near bus stops and HRAs may be adopted in jurisdictions that nominated less than 50 percent of their PDA-eligible areas.

For Mountain View, the only non-PDA area in the Draft Plan Bay Area is the transit-rich area surrounding our Downtown Transit Center, as shown below in the orange circle.



Regional Housing Needs Determination

The RHNA process begins with the Regional Housing Needs Determination (RHND) for each metropolitan planning area (MPO)—for Mountain View, the MPO is the San Francisco Bay Area. The California Department of Housing and Community Development (HCD) is responsible for developing the RHND for each MPO in the State. The calculation of the RHND follows specific rules laid out in the Government Code.

On June 18, 2020, HCD released the RHND for the 2023-31 cycle for the Bay Area, which is 441,176 units; this is much greater than the previous RHND of 187,990 units for the fifth cycle (2015-23).

RHNA Process

ABAG is required by the State to conduct a public process to distribute the RHND. In preparation for this process, ABAG formed a 38-member Housing Methodology Committee (HMC) in October 2019 consisting of elected officials, housing/planning staff, regional stakeholders, and a State government representative.

Members of the HMC from Santa Clara County include: Michael Brilliot, Deputy Director of Citywide Planning, City of San Jose; Neysa Fligor, Vice Mayor, City of Los Altos; and Aarti Shrivastava, Assistant City Manager/Community Development Director, City of Mountain View.

The objectives of the HMC include:

1. Advise ABAG staff on the RHNA allocation methodology for the 2023-31 cycle;
2. Ensure that the methodology and RHNA meet statutory requirements; and
3. Ensure that the methodology and allocation are consistent with the forecasted development pattern for PBA 2050.

RHNA Allocation and Factors

The RHNA consists of the number of housing units assigned to a jurisdiction, which is further distributed among four affordability levels: very low income, low income, moderate income, and above moderate income. The RHNA factors used in the methodology are required to meet the following five objectives in Housing Element law:

1. Increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner;
2. Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, the encouragement of efficient development patterns, and the achievement of the region's GHG reduction targets;
3. Promoting an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction;

4. Allocating 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; and
5. Affirmatively furthering fair housing (which is a new requirement).

In order to comply with the above requirements, ABAG staff has proposed that the methodology be comprised of three primary aspects: (1) Baseline Allocation; (2) Factor Adjustments; and (3) Factor Weights.

Baseline Allocation

There are two baseline allocations under consideration at this time: (1) the PBA 2050 Blueprint forecasted household growth; and (2) the share of existing households in 2019 relative to the region’s total households. A decision on which baseline option to use has not been made at this time.

Factor Adjustments

At the January and June 2020 meetings, the HMC narrowed the list of potential methodology factors from an original list of 13 (see Table 1 below). However, the factors have not yet been finalized and are likely to change as the process continues.

Table 1 – Potential RHNA Factors

| FAIR HOUSING AND EQUITY FACTORS | | |
|--|---|--|
| Factor | Definition | Impact |
| Access to High- Opportunity Areas | The percentage of a jurisdiction’s households living in census tracts labeled “High Resource” or “Highest Resource” based on opportunity index scores. ¹ | More units allocated to jurisdictions with the most access to opportunity. |
| Divergence Index | The divergence index score for a jurisdiction, which is a calculation of how different a jurisdiction’s demographics are from the region. | More units allocated to jurisdictions that are more segregated compared to the rest of the region. |

¹ HRA map: based on the CA TCAC Draft 2020 Opportunity Map.

| JOBS AND JOBS-HOUSING FIT | | |
|----------------------------------|---|--|
| Factor | Definition | Impact |
| Jobs Proximity – Auto | Share of the region’s total jobs that can be accessed from a jurisdiction by a 30-minute auto commute. | More units allocated to jurisdictions with easy access to the region’s job centers. |
| Jobs Proximity – Transit | Share of the region’s total jobs that can be accessed from a jurisdiction by a 45-minute transit commute. | More units allocated to jurisdictions with easy access to the region’s job centers. |
| Vehicle Miles Travelled (VMT) | Total modeled VMT per worker in 2020 from PBA 2050. | More units allocated to jurisdictions with a high number of VMT per worker. |
| Jobs-Housing Balance | Ratio of jobs within a jurisdiction to housing units in the jurisdiction. | More units allocated to jurisdictions with a high number of jobs relative to amount of housing. |
| Jobs-Housing Fit | Ratio of low-wage jobs within a jurisdiction to the number of low-cost rental units in the jurisdiction. | More units allocated to jurisdictions with a high number of low-wage jobs relative to the number of low-cost rental units. |
| Future Jobs | Jurisdiction’s share of the region’s forecasted jobs based on PBA 2050. | More units allocated to jurisdictions with a higher share of projected jobs. |
| TRANSPORTATION | | |
| Factor | Definition | Impact |
| Transit Connectivity | Jurisdiction’s percentage of the region’s total acres within Transit Priority Areas (TPAs). | More units allocated to jurisdictions with existing and planned transit infrastructure. |

RHNA Distribution Methodology Options

The RHNA consists not only of a total allocation of units, but also a distribution of those units among the following income categories: (1) Very-low income (0 to 30 percent of Area Median Income or AMI); (2) Low-income (31 to 80 percent AMI); (3) Moderate-income (81 to 120 percent AMI); and 4) Market-rate (above 120 percent AMI).

ABAG staff has proposed two methodologies for allocating total units, as well as units by income to align with the statutory objectives of RHNA. These options are two fundamentally different processes for allocation of total units as well as determining units by income:

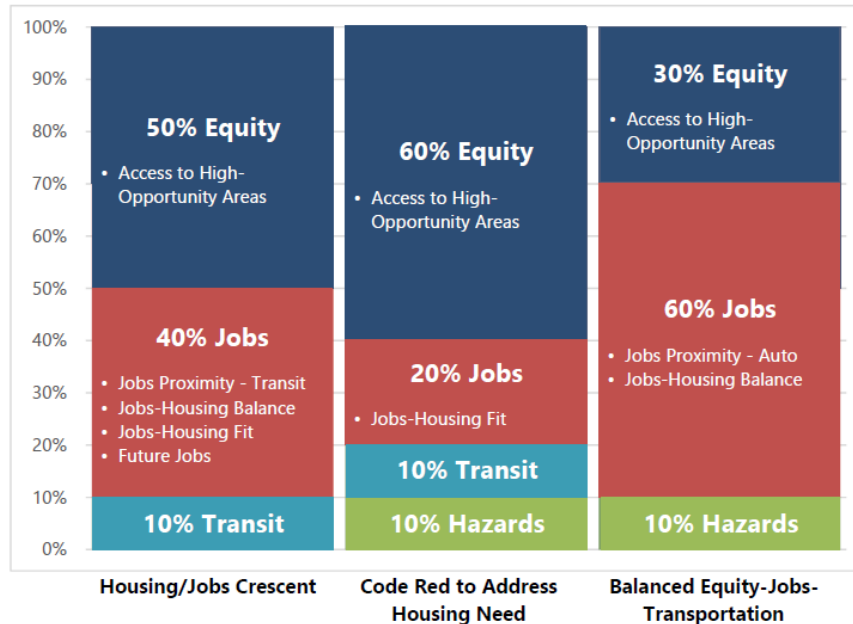
1. **Total Allocation and Income Shift**—In this approach, a total allocation is created for each jurisdiction using a combination of the factors discussed above. The next step is to use an income allocation methodology to distribute that total amount for the income categories.
2. **Bottom-Up**—In this approach, the income allocation methodology is used to identify the number of units for each income category. The sum of the units in the four income categories will then equal a jurisdiction's total allocation.

Total Allocation and Income Shift

Total Allocation

At the prior HMC meetings, the members prioritized factors for total allocation. The top three ranked methodologies for total allocation were (see Figure 2 below): (1) Housing/Jobs Crescent; (2) Code Red to Address Housing Need; and (3) Balanced-Equity-Jobs-Transportation.

Figure 1 – Factors and Weights for Total Allocation Methodology



NOTE: At their meeting on June 19, 2020, the HMC voted to remove Hazards in the list of factors to be considered.

Income Shift

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. An income shift multiplier of 100 percent results in every jurisdiction’s RHNA mirroring the region’s existing income distribution. 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. However, a more aggressive shift could also increase displacement by directing more market-rate units to jurisdictions with higher proportions of existing lower-income households.

At the June 19, 2020 HMC meeting, members voted to use an income shift multiplier of 150 percent.

Bottom-Up Income Allocation to Build the Total Allocation

In contrast to the Income Shift, the Bottom-Up income allocation does not start with a total allocation assigned with a factor-based methodology. Instead, this approach uses different factors to determine the allocations for each of the four income categories. These are then added to create the Total Allocation for a jurisdiction.

ABAG staff developed two concepts for the Bottom-Up approach, using some of the same factors that received the most support from the HMC. A jurisdiction’s allocation within each income category is determined based on how the jurisdiction scores relative to the rest of the region on the selected factors.

Table 2 – Factors and Weights for Bottom-Up Income Allocation Methodology

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

At the June 19, 2020 meeting, the HMC voted on the approaches as well as the Two-Factor versus the Three-Factor Bottom-Up approach. **The approach that received the most votes was the Bottom-Up Income Allocation with the Three-Factor approach.**

ABAG has developed an online GIS-based visualization tool that allows the public to generate outputs for each jurisdiction by testing combinations of factors as well as weights for each factor. Councilmembers may learn more by using ABAG’s visualization tool found at <https://rhna-factors.mtcanalytics.org>.

Implications for Santa Clara County

It is difficult at this point to predict what the outcome of the RHNA process will be for Santa Clara County jurisdictions. However, State law requirements, best planning practices, and comments from HMC members imply that the allocation for Santa Clara County may be much higher than before. There are a few categories of cities that are more likely to have significantly higher RHNA numbers. These include:

- Job-rich cities—Cities may be expected to close some or all of their jobs/housing imbalance as part of the RHNA process. Many members of the RHNA Methodology Committee have said that they want employment to be the primary driver of RHNA. The current visualization tool does not reflect this desire, but this may change.

- Small towns near job-rich cities – In Southern California, the methodology greatly increased RHNA numbers for small, residential towns near job centers. For example, West Hollywood’s RHNA increased from 77 to 3,460. Currently, the visualization tool does not predict this, but it is a possibility.
- Cities with good public transportation networks – ABAG may choose to put more RHNA near cities with access to public transportation to reduce GHGs.
- Cities with opportunity areas – Housing Methodology Committee members have also expressed a strong interest in having more housing in areas of high opportunity (low poverty, good schools, etc.). This would most significantly affect northern Santa Clara County and West Valley cities. See Appendix A.

Implications for Mountain View

While the methodology of how individual cities will be allocated units has not been determined, staff estimates that Mountain View could receive an allocation in the range of 5,500 to 10,000 housing units. As a point of comparison, the City’s allocation for the 2015-23 Housing Element period was 2,926 units.

Staff used the visualization tool for the two methodologies discussed at the HMC meetings: (1) Total Allocation/Income Shift; and (2) Bottom-Up Income Allocation. Tables 3 and 4 below show the potential allocations for Mountain View.

Table 3 – Total Allocation/Income Shift

| Option | Increase over Baseline | Total Units | Percent Increase over Baseline |
|-------------------------------------|------------------------|-------------|--------------------------------|
| Baseline | 0 | 5,539 | 0% |
| Code Red | 1,279 | 6,818 | 23% |
| Balanced Equity-Jobs-Transportation | 1,756 | 7,295 | 32% |
| Housing/Jobs Crescent | 2,106 | 7,645 | 38% |

Table 4 – Bottom-Up Income Allocation

| Option | Increase over Baseline | Total Units | Percent Increase over Baseline |
|------------------------|------------------------|-------------|--------------------------------|
| Baseline | 0 | 5,539 | 0% |
| Two-Factor Bottom-Up | 1,767 | 7,306 | 32% |
| Three-Factor Bottom-Up | 1,223 | 6,762 | 22% |

Next Steps

The HMC is scheduled to have three more meetings in July, August, and September 2020. The RHNA and Plan Bay Area key milestones process are noted below:

- July 2020 – Plan Bay Area 2050 Draft Blueprint
- September 18, 2020 – Last HMC meeting
- Late Fall 2020 – Regional Planning Committee uses HMC's input to make recommendations to the ABAG Executive Board
- Winter 2021 – Draft RHNA methodology scheduled to be submitted to HCD
- Spring 2021 – Final RHNA methodology, Draft allocation
- Summer 2021 – RHNA appeals
- September 2021 – Final Plan Bay Area 2050
- End of 2021 – Final RHNA allocation
- January 2023 – Housing Element due date

While there is no formal method or an official deadline for submitting correspondence to the HMC, the earlier in the process, the likelier it could be useful in decision making. The Santa Clara County Collaborative, which was formed to discuss and share regional housing concerns among its member cities, has discussed providing a letter to the HMC from Santa Clara County cities.

Staff will continue to monitor the progress of the process and provide Council with updates. **A Council Study Session is planned for September 8, 2020, to provide an update on the RHNA process.** The City Council may choose to direct staff to submit a letter to the ABAG or the HMC at that time.

Once a local government has received its final RHNA from ABAG, State law requires that it update the Housing Element of its General Plan to identify sites/locations where housing can be accommodated and policies needed to meet its housing needs for the 2023-31 cycle.

AS/MA/1/CDD

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Attachment: Appendix A: Cities with Opportunity Areas in Santa Clara County