MEMORANDUM

TO:	**AMBAG Board of Directors**
FROM:	**Maura F. Twomey, Executive Director**
RECOMMENDED BY:	**Heather Adamson, Director of Planning**
SUBJECT:	**6th Cycle Regional Housing Needs Allocation Methodology**
MEETING DATE:	**January 12, 2022**

RECOMMENDATION:

A. Hold public hearing to receive public comment on the draft 6th Cycle Regional Housing Needs Allocation (RHNA) methodology for allocation of housing need to the region's jurisdictions consistent with the objectives of Government Code § 65584(d) and factors of Government Code § 65584.04(e).

B. Approve a draft RHNA methodology and authorize Association of Monterey Area Governments (AMBAG) staff to submit the draft RHNA methodology to the California Department of Housing and Community Development (HCD) for review and approval.

BACKGROUND:

California State Housing Element Law governs the process for local governments to adequately plan to meet the housing needs of everyone within their communities. The RHNA process is used to determine how many new homes, and the affordability of those homes, each local government must plan for in its Housing Element to meet the housing needs of households of all income levels.

The Housing Element Law requires AMBAG, acting in the capacity of Council of Governments (COG), to develop a methodology for allocating existing and projected housing needs to local jurisdictions within the AMBAG region, located in Monterey and Santa Cruz Counties. The Housing Element Law sets forth a process, schedule, objectives, and factors to use in developing the RHNA methodology. The methodology must address

allocation of housing units by jurisdiction, housing units by income group, and must further all five statutory objectives and include consideration of 13 factors to develop the methodology that allocates regional housing needs (Attachment 1). The Council of San Benito County Governments (SBtCOG) performs this same function for San Benito County.

RHNA is an estimate of additional housing units needed for all income levels in the region from the start until the end date of the projection period. RHNA is not a prediction of building permits, construction, or housing activity, nor is it limited due to existing land use capacity or growth. A community is not obligated to provide housing to all in need. RHNA is a distribution of housing development capacity that each city and county must zone for in a planning period and is not a construction need allocation.

As part of the RHNA process, State law (Government Code 65584 et seq.) requires AMBAG to develop a methodology to allocate a portion of the Regional Housing Need Determination (RHND) to every local government in the AMBAG Region. AMBAG received its 6th Cycle RHND of 33,274 units from HCD in late August 2021 for the planning period beginning June 30, 2023 and ending December 15, 2031. The RHNA produces regional, subregional, and local targets for the amount and type of housing needed over the planning period.

AMBAG is responsible for developing a methodology to allocate 33,274 units amongst all the jurisdictions within the COG region. Throughout this process, the Planning Directors Forum (PDF) representatives from member jurisdictions in Monterey and Santa Cruz counties serve as a technical working group and assisted in the development of the 2023-2031 RHNA methodology and plan, similar to the process used for the 2014-2023 RHNA Plan.

RHNA methodologies are unique to every region throughout the state in response to each region's unique housing situation and needs. The AMBAG region is predominately a suburban/rural region and has unique demographic and housing issues, such as a predominance of rural jurisdictions and significant farmworker housing needs. The AMBAG RHNA methodology focuses on furthering, supporting, and balancing between each of the five statutory RHNA objectives and 13 RHNA factors (See Attachment 2).

Revised RHNA Schedule

AMBAG has revised the RHNA schedule as shown in Figure 1.

Figure 1: Revised RHNA Schedule

TARGET SCHEDULE	TASK
Spring - Fall 2021	Discussions with Planning Directors Forum on potential RHNA methodology options and factors
Summer – Fall 2021	Potential RHNA methodology options discussed by AMBAG Board
September 8, 2021	HCD presents at AMBAG Board Meeting
January 12, 2022	Approval of draft RHNA methodology by AMBAG Board
January – March 2022	HCD reviews draft methodology
April 13. 2022	Approval of final RHNA methodology by AMBAG Board
April 22, 2022	Release Draft RHNA plan with RHNA allocations by jurisdiction
April 22 – June 6, 2022	Local jurisdictions and HCD may appeal RHNA allocation within 45 days of release of the draft RHNA plan/allocations
May 2022	AMBAG releases final 2045 Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) accommodating RHNA
June 7 – July 22, 2022	Local jurisdictions and HCD may comment on appeals within 45 days of the close of the appeal period **(if appeal(s) are received)**
June 8, 2022	Adoption of Final 2045 MTP/SCS AMBAG Board
August 10, 2022	Adoption of Final 2023-31 RHNA Plan with RHNA allocations by AMBAG Board (**if no appeal(s) are received**)
August 10, 2022	AMBAG to hold public hearing on appeals **(if appeals are received)**
September 23, 2022	AMBAG makes final determination that accepts, rejects, modifies appeals and issues final proposed allocation plan
October 12, 2022	Adoption of Final 2023-31 RHNA Plan with RHNA allocations by AMBAG Board **(if appeal(s) are received)**
December 2023	Jurisdiction's 6th Cycle Housing Elements are due to HCD

Revised Final Draft RHNA Methodology

For the past nine months, AMBAG staff has been discussing with the PDF and AMBAG Board potential options for developing a RHNA methodology based on HCD's 6th Cycle RHND. A revised draft RHNA methodology was presented at the November 1, 2021 Planning Directors Forum and November 10, 2021 AMBAG Board of Directors meeting for discussion and input. Based on direction received from AMBAG Board, HCD, and public comments received during the November 10, 2021 public hearing, AMBAG staff proposed a revised draft RHNA methodology. Revised methodology options were presented at the November 29, 2021 Planning Directors Forum and December 8, 2021 AMBAG Board of Directors meeting for discussion and input. Based on additional direction received from the AMBAG

Board and public comments received during the December 8, 2021 public hearing, as well as additional feedback from HCD staff on January 4, 2022, AMBAG staff evaluated several revised final draft RHNA methodology options.

Feedback from HCD on the RHNA Methodology Options

Under new RHNA laws, HCD must approve each COG's RHNA methodology and confirm it furthers the RHNA objectives. On December 9, 2021, HCD staff offered to do an informal review of the revised final draft methodology options. AMBAG and HCD staff met on January 4, 2022, to discuss their comments. Based on its informal review, HCD staff informed AMBAG that none of the four options (Options A-D) met the AFFH objective as best as it could in providing more RHNA units to higher resource jurisdictions and provided some suggestions. HCD staff recommended that AMBAG use a 40% income shift since it placed more lower income units in the higher resource areas. In addition, HCD suggested that we further reduce the weighting of the Regional Growth Forecast and increase the weighting of the AFFH allocation factor. Finally, HCD staff suggested that AMBAG incorporate the California Tax Credit Allocation Committee (TCAC) opportunity maps in addition to the Racially Concentrated Area of Affluence (RCAA) data to provide a more nuanced AFFH analysis. In response to this feedback, AMBAG developed two additional methodology options: Option A+ and Option B+. Since the Board of Directors directed AMBAG staff to specific create Options C and D at the December 8, 2021 Board meeting, AMBAG staff did not make modifications to those options. However, AMBAG staff created Option Z, which takes into account recommendations from HCD staff as well as recent Board direction.

Final Draft RHNA Methodology Options

Based on comments received, feedback from HCD staff, and discussions at the PDF and AMBAG Board of Directors meeting, AMBAG staff are presenting the following several final draft methodologies as shown in Table 1.

Table 1: AMBAG RHNA Allocation Methodology Options
Units by Allocation Factor

	Option A	Option A+	Option B	Option B+	Options C and D	Option Z
2022 Regional Growth Forecast	12,524	6,260	12,524	6,260	12,524	6,260
Employment	10,374	10,374	8,299	8,299	3,111	4,000
Jobs/Housing Ratio	0	0	4,150	4,150	7,263	8,449
Transit	1,038	1,038	1,038	1,038	1,038	1,038
Resiliency Factor (Wildfire and Sea Level Rise)	2,075	2,075	2,075	2,075	2,075	2,075
Affirmatively Furthering Fair Housing (AFFH), based on RCAA or Combination of RCAA and TCAC Areas	7,263	13,527	5,188	11,452	7,263	11,452
Total Units	**33,274**	**33,274**	**33,274**	**33,274**	**33,274**	**33,274**

In addition to the distributions listed above, at the December 8, 2021 meeting, the AMBAG Board directed staff to assess additional adjustments to the methodology, including the following:

- Adding a third criteria—percent below the poverty level—to the RCAA index. The data for this adjustment can be found in Attachment 3, and the adjustment appears in Options C and D.
- Normalize the RCAA—Option D evaluates the Resiliency and AFFH allocation factors by considering the developable land in each jurisdiction rather than by forecasted units. Developable area was calculated as area excluding parks and open space (with data from the California Protected Areas Database), Williamson Act agricultural preserve (CA Department of Conservation database), and industrial lands (County Assessor database).

All data used in the development of RHNA methodology is based on the following publicly available sources:

- Regional Growth Forecast (RGF): Housing growth from either a 4-year or 8-year RHNA period from the AMBAG 2022 RGF (accepted for planning purposes by the AMBAG Board in November 2020), based on California Department of Finance (2020)
- Employment: AMBAG 2022 RGF, based on InfoUSA and California Employment Development Department (2020)

- Transit: Existing (2020) transit routes with 15- and 30-minutes headways, based on existing transit routes and stops from transit operators
- Resiliency: Percent not in high fire risk or 2' sea level rise risk, CALFIRE, California Public Utilities Commission (CPUC), and National Oceanic and Atmospheric Administration (NOAA)
- Jobs-Housing Ratio (included in Options B and B+ only): Number of jobs in 2020 divided by number of housing units, both jobs and housing data are from AMBAG 2022 RGF, based on InfoUSA and California Employment Development Department, and California Department of Finance (2020).
- Affirmatively Furthering Fair Housing (AFFH) Unit Allocation (Options A, B, C and D): Jurisdictions with higher than the regional average for percentage above 200% of the poverty level and percentage white are defined as RCAAs. Jurisdictions that qualify under one category receive a partial allocation. U.S. Census Bureau, American Community Survey (2015-2019) and 2020 Census
- Affirmatively Furthering Fair Housing (AFFH) Unit Allocation (Options A+, B+, and Z): Jurisdictions with higher than the regional average for percentage above 200% of the poverty level and percentage white are defined as RCAAs. Jurisdictions that qualify under one category receive a partial allocation. U.S. Census Bureau, American Community Survey (2015-2019) and 2020 Census. Jurisdictions are also evaluated based on their share of households in high/highest resource areas. California Tax Credit Allocation Committee (TCAC) Opportunity Map Database (2021) and U.S. Census Bureau, American Community Survey (2015-2019).
  - In Options A+ and B+ the AFFH factor is the average of a jurisdiction's RCAA and TCAC scores.
  - In Option Z the AFFH factor is the average of their RCAA and TCAC score for incorporated jurisdictions. For unincorporated areas the AFFH factor is the TCAC score alone and does not include RCAA. This is to address the wide diversity of communities within the unincorporated areas.
- Affirmatively Furthering Fair Housing (AFFH) Income Allocation: Redistribute a portion of very low and low income units out of non-RCAA jurisdictions and shift those units to RCAA jurisdictions. U.S. Census Bureau, American Community Survey (2015-2019) and 2020 Census

First Step in RHNA Methodology: 2022 Regional Growth Forecast Base Allocation

This RHNA methodology allocates a portion of housing units (6,260 or 12,524) based on data for projected housing growth for either a four-year or eight-year planning period from

the Regional Growth Forecast (RGF). The 2022 RGF was used in the 2045 Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS). The use of the same data within the RGF is important to meeting the RHNA plan statutory objectives of protecting environmental and agricultural resources and achieving the region's greenhouse gas reduction targets. (Gov. Code, § 65584(d)(2).) Use of the 2022 RGF ensures that this RHNA methodology would be consistent with the 2045 MTP/SCS, which was released for public review and comment in November 2021.

The 2022 RGF is the most accurate growth forecast available for the region, is more granular than any other available projections, included significant quality control, was reviewed and approved by executive planning staff in all jurisdictions for accuracy, and was accepted by the AMBAG Board. Using the 2022 RGF in this RHNA methodology assures that large jurisdictions do not get inappropriately small allocations which do not fulfill the needs of their populations, and small jurisdictions do not get inappropriately large allocations that exceed the feasible capacity of developable land. This supports the furtherance of a RHNA plan statutory objective, which focuses on 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 greenhouse gas reductions targets. (Gov. Code, § 65584.04(d)(2).)

The 2022 RGF allocation step is just one factor in the RHNA methodology; jobs, transit, and resiliency and affirmatively furthering fair housing are all used to allocate housing units, which go above and beyond existing jurisdictions' general plans. In fact, HCD's 6th Cycle RHND of 33,274 units is higher than the number of units that jurisdictions within the AMBAG region have planned for through 2050, so general plan changes will be necessary and are not precluded by using the 2022 RGF as a part of the allocation.

Second Step in RHNA Methodology: Jobs, Transit, Resiliency, AFFH and Additional Jobs-Housing Ratio Factor (Options B-Z)

Under Option A, the second step in the RHNA methodology is to allocate the remaining units (20,750 units) based on jobs, transit, resiliency and AFFH factors. Existing (2020) jobs account for 50% of the remaining housing units, jurisdictions with existing (2020) transit routes with 15- and 30-minute headways account for 5%, and 10% of units are allocated those jurisdictions who have the smallest percentages of high fire or high sea level risk. Finally, 35% of the housing units are allocated based on RCAAs. Jurisdictions qualifying as RCAAs or partial RCAAs are shown in Attachment 3.

Under Option A+, the second step in the RHNA methodology is to allocate the remaining units (27,014) based on jobs, transit, resiliency and AFFH factors. Existing (2020) jobs account for 38% of the remaining housing units, jurisdictions with existing (2020) transit routes with 15- and 30-minute headways account for 4%, and 8% of units are allocated those jurisdictions that have the smallest percentages of high fire or high sea level risk. Finally, 50% of the housing units are allocated based on AFFH. Under Option A+, both the TCAC opportunity area and RCAA data is used. Jurisdictions qualifying as RCAAs, partial RCAAs, or TCAC opportunity areas are shown in Attachment 3.

Under Option B, the second step in the RHNA methodology would add an additional factor of a jobs-housing ratio for 20% of the unit allocation. The addition of this factor would reduce the jobs and AFFH allocation factors to 40% and 25% respectively. The request for a jobs-housing ratio factor to be considered was discussed at the November 29, 2021 PDF and AMBAG staff is including this option for consideration in response to comments received.

Under Option B+, the second step in RHNA methodology is similar to Option B, however a higher percentage of units are allocated to the AFFH allocation factor based on HCD feedback. Existing (2020) jobs account for 31% of the remaining units while 15% of the units are allocated based on a jobs-housing ratio factor. Jurisdictions with existing (2020) transit routes with 15- and 30-minute headways and jurisdictions that have the smallest percentages of high fire or high sea level risk account for 4% and 8% of units, respectively. Finally, 42% of the housing units are allocated based on AFFH. Under Option B+, both the TCAC and RCAA data is used.

Under Options C and D, the second step in the RHNA methodology also includes a jobs-housing ratio similar to Option B but for 35% of the unit allocation. In Options C and D, the existing (2020) jobs factor weighting is reduced to 15%.

Under Option Z, the second step in the RHNA methodology is a hybrid of Options B+ and D. 27,014 units are divided as follows: 15% jobs, 31% jobs/housing, 4% transit, 8% resilience, and 42% of the AFFH. The higher weighting for jobs/housing reflects direction from the AMBAG Board as well as public comment.

One additional change in Option Z is normalizing the resiliency factor by 2020 households, rather than by expected unit change or area. This reflects HCD's request to reduce the weight of the RGF as well as guidance from the Board and public comment to reduce

allocations in the unincorporated areas. Under Option Z, both the TCAC and RCAA data is used for incorporated jurisdictions, and TCAC alone is used for unincorporated areas. Given the size of the unincorporated areas, TCAC better reflects the diversity of high- and low-income communities within the unincorporated areas.

Third Step in RHNA Methodology: Income Allocation

Addressing the income equity disparities of the AMBAG region's jurisdictions was a key focus of the income allocation methodology. Though jurisdiction level disparities cannot be completely corrected within a single RHNA cycle, PDF and AMBAG Board members recommended to allocate a high weight to this factor.

As a result of concerns with the TCAC data, AMBAG developed a local measure of Racially Concentrated Areas of Affluence (RCAA), based on data from the U.S. Census Bureau and a framework described by the U.S. Department of Housing and Urban Development. Consensus from the PDF was that the RCAAs analysis better reflected the AMBAG region's areas of opportunity than the HCD/TCAC Opportunity Map data (see Attachment 3, Racially Concentrated Areas of Affluence and Tax Credit Allocation Committee Areas for the AMBAG Region). All seven draft RHNA methodology options shift Above Moderate units to Very Low and Moderate units to Low.

In addition to incorporating the RCAA data, the percentage of units shifted from Above Moderate/Moderate units to Low/Very Low units could be either 30% or 40%. All options shown here result in RCAAs getting a higher share of their RHNA in the lower income categories. Under the 30% shift, in RCAA jurisdictions, more than 50% of the RHNA allocation is Very Low or Low income. In partial RCAA jurisdictions, approximately 40% of the RHNA allocation is Very Low or Low income. The comparable share for non-RCAA jurisdictions is less than 30%. Under the 40% shift, in RCAA jurisdictions, nearly 60% of the RHNA allocation is Very Low or Low income. In partial RCAA jurisdictions, approximately 40% of the RHNA allocation is Very Low or Low income. The comparable share for non-RCAA jurisdictions is approximately 25%. The final draft RHNA methodologies options' unit allocation estimates by factor and for income allocation—both 30% and 40%--are provided in Attachment 4a-4g

Attachment 5 includes a summary of the unit allocation estimates for all final draft RHNA methodology options, as well as the option proposed by LandWatch. The LandWatch option

assumes that the job/housing ratio should be based on housing shortfall, rather than the total number of jobs in imbalanced jurisdictions.

Based on feedback from HCD as well as public comment received, AMBAG staff recommends that whatever option the Board of Directors selects should include a 40% income shift. Attachment 5 also shows RHNA per household and RHNA per capita metrics for all draft methodologies as well as for the LandWatch option. While all options attempt to meet the requirements of supporting and furthering the 5 RHNA objectives and 13 factors, Options A+, B+, and Z allocate the most units to higher resource areas which is a high priority based on feedback from HCD. Option Z also attempts to direct growth into incorporated jurisdictions, which has been a high priority in public comment. While Option A allocates a slightly lower number of units to higher resource areas compared to Option A+, it does support and further all of the RHNA objectives and performs well in the evaluation metrics. The other options do not allocate as many units to higher resources areas which is a high priority for HCD staff. Ultimately, it is up to the AMBAG Board of Directors to select and approve a methodology to submit to HCD for their final review and approval.

Statutory Adjustments

AMBAG has received several comments and questions regarding statutory adjustments to the RHNA methodology allocations. Based on ongoing discussions with and feedback from HCD staff, AMBAG staff does not plan to propose any statutory adjustments to the RHNA methodology.

Next Steps

Upon approval from the Board of Directors on a final draft RHNA methodology, AMBAG will submit the draft methodology to HCD for review and approval. Following approval from HCD, the AMBAG Board of Directors is scheduled to consider approval of the final RHNA methodology and direct AMBAG staff to issue the Draft RHNA Plan with RHNA allocations by jurisdiction in April 2022.

ALTERNATIVES:

The Board of Directors may modify the final draft methodology or choose not to accept a draft methodology to send to HCD for review. If a draft methodology is not approved at the January 12, 2022 Board meeting, it will further delay the scheduled release of the Draft

RHNA Plan and approval of the Final RHNA Plan, which in turn will reduce the amount of time local jurisdictions have to complete their 6th Cycle Housing Element, which must be completed by December 15, 2023. Any further delay to selecting a draft RHNA methodology puts AMBAG at serious risk of not meeting statutory deadlines for preparing a RHNA Plan.

FINANCIAL IMPACT:

Planning activities for RHNA are funded with Regional Early Access Planning and Senate Bill 1 planning funds and are programmed in the Fiscal Year 2021-22 Overall Work Program and Budget.
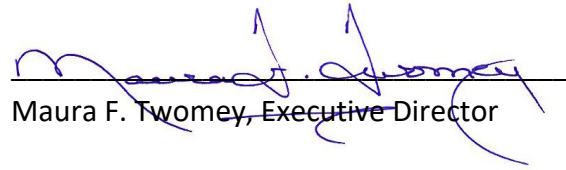
COORDINATION:

All RHNA planning activities are coordinated with the HCD, SBtCOG, and the Planning Directors Forum, which includes all the local jurisdictions within the AMBAG region.

ATTACHMENTS:

1. Regional Housing Needs Allocation Objectives and Factors
2. Summary of Factors for Consideration in 6th Cycle RHNA
3. Defining Racially Concentrated Areas of Affluence and Tax Credit Allocation Committee Areas for the AMBGA Region
4a. Option A - Final Draft Methodology RHNA Unit Allocation & Income Allocation Estimates
4b. Option A+ - Final Draft Methodology RHNA Unit Allocation & Income Allocation Estimates
4c. Option B - Final Draft Methodology RHNA Unit Allocation & Income Allocation Estimates
4d. Option B+ - Final Draft Methodology RHNA Unit Allocation & Income Allocation Estimates
4e. Option C - Final Draft Methodology RHNA Unit Allocation & Income Allocation Estimates
4f. Option D - Final Draft Methodology RHNA Unit Allocation & Income Allocation Estimates
4g. Option Z – Final Draft Methodology RHNA Unit Allocation & Income Allocation Estimates
5. Comparison of Final Draft RHNA Methodologies
6. Summary of Comments Received as of January 5, 2022

APPROVED BY:

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Maura F. Twomey, Executive Director