**NS&E AGENDA: 04/12/07**
**ITEM: 8**

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Memorandum

**TO:** NEIGHBORHOOD SERVICES AND EDUCATION COMMITTEE

**FROM:** Joseph Horwedel
Leslye Krutko

**SUBJECT:** **ABAG'S REGIONAL HOUSING NEEDS PROGRAM**

**DATE:** April 3, 2007

Approved

Date

**COUNCIL DISTRICT:** Citywide
**SNI:** All

## RECOMMENDATION

Accept the status report on the Association of Bay Area Governments' Regional Housing Needs Program.

## OUTCOME

The Committee will learn about the adopted Regional Housing Needs Allocation (RHNA) formula and the next steps in the RHNA process.

## BACKGROUND

By state law, the Association of Bay Area Governments (ABAG) is responsible for allocating the state-determined regional housing need to all jurisdictions in the Bay Area for the planning period of 2007 – 2014. Each jurisdiction must then update its General Plan Housing Element to document how it will achieve this housing allocation during the planning horizon. State law requires that the State Department of Housing and Community Development certify Housing Elements as a prerequisite to the receipt of certain State infrastructure incentives. In other words, the regional housing need and Housing Element processes should be taken seriously. San Jose has a strong track record of certified Housing Elements, planning for the projected housing need, and facilitating the construction of housing for all income levels.

In May 2006, the ABAG Executive Board established a Housing Methodology Committee (HMC) to advise ABAG staff in developing a recommended methodology for allocating the regional need for adoption. The HMC was comprised of local elected officials, city and county staff, and stakeholder representatives. Laurel Prevetti, Deputy Director of Planning, represented San Jose on this Committee and was one of three representatives for the jurisdictions within Santa Clara County.

The Committee concluded its work in October and the ABAG Executive Board accepted the Committee's recommendation of a methodology in November 2006, starting a 60-day comment period. A letter was sent to ABAG transmitting the San Jose City Council comments on the draft methodology after a discussion at its January 9, 2007 meeting (see Attachment 1). On January 18, 2007, the ABAG Executive Board adopted the housing allocation methodology for the current RHNA cycle, as described in the "Analysis" section below.

The remaining schedule for the housing allocation process and Housing Element update is:

- Early April 2007: Determination of regional housing need
- June 30, 2007: Release of draft housing allocations
- June 30, 2008: Release of final housing allocations
- June 30, 2009: Housing Element revisions due to HCD

## ANALYSIS

### Adopted Allocation Methodology

The regional housing needs allocation methodology assigns each jurisdiction in the Bay Area its share of the region's total housing need. The methodology is a mathematical equation that consists of weighted factors to meet the following State-mandated objectives:

(1) Increase the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which shall result in each jurisdiction receiving an allocation of units for low- and very low-income households.

(2) Promote infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns.

(3) Promote an improved intraregional relationship choices between jobs and housing.

(4) 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, as compared to the countywide distribution of households in that category from the most recent decennial United States census.

State law was changed in 2004 to allow ABAG and other Councils of Governments to utilize their projections as the basis for the housing allocations, subject to HCD approval. Every two

years, ABAG estimates population, household, and job growth for every jurisdiction in the Bay Area. *Projections 2007* incorporates "smart growth" principles layered on top of local jurisdictions' general plans, with the hope of encouraging communities to focus growth to areas with existing and planned infrastructure. Specifically, the *Projections* now forecast more growth in existing urbanized areas particularly near existing and planned transit, and less in edge communities.

State law also identifies specific factors that the Housing Methodology Committee (HMC) had to consider for inclusion in the allocation methodology, including:

- Water and sewer capacity
- Land suitable for urban development or conversion to residential use
- Protected open space – lands protected by state and federal government
- County policies to protect prime agricultural land
- Distribution of household growth
- Market demand for housing
- City-centered growth policies
- Loss of affordable units contained in assisted housing
- High housing cost burdens
- Housing needs of farm workers
- Impact of universities and colleges on housing needs in a community

Given that some of these factors are more qualitative, the adopted methodology contains four key factors for the formula: household growth, employment growth, existing employment, and proximity to planned and existing transit. The allocation formula assigns a "weight" or percentage for each factor:

- <u>Household Growth (45%)</u>: Household growth is defined as a jurisdiction's share of household growth during the planning period 2007 – 2014 based on ABAG's *Projections 2007*. This factor, as opposed to existing households or total households, allocates housing where growth is anticipated to occur based on the *Projections*.

- <u>Existing Employment (22.5%) and Employment Growth (22.5%)</u>: The existing employment factor attempts to address historic job/housing imbalances by allocating housing to accommodate existing employment (2007). The employment growth factor acknowledges that communities adding jobs should also plan for housing for those jobs.

- <u>Household Growth near Transit (5%) and Employment Growth near Transit (5%)</u>: The transit factors add more housing to jurisdictions with existing or planned transit stations as defined by growth that occurs within ½ mile of planned or existing fixed transit stations. The planned stations are those in the RTP 2005 - Track 1, such as BART to San Jose. Current *Projections* places incrementally more growth along major transportation corridors (including major bus routes) and at transit stations. Therefore, using transit as a direct factor in the methodology "double counts" transit. Those jurisdictions with transit, existing and planned, would receive

a relatively higher proportion of the housing needs allocation than those jurisdictions without existing or planned transit (e.g., San Francisco, Oakland and San Jose).

The majority of the ABAG Executive Board wanted to acknowledge "smart growth" by including the additional weight of the transit factor in the formula.

Under this methodology, staff estimates that San Jose may have an allocation of at least 30,000 housing units. In comparison, during the last RHNA period (1999-2006), San Jose had an allocation of approximately 26,000 units and issued building permits for over 28,000.

**Adopted Regional Income Allocations**
The ABAG Executive Board approved the more aggressive "175%" approach supported by the City, which is intended to "alleviate existing concentrations" of low- and very low-income households. The "175%" approach allocates a larger share of housing affordable to low- and very low-income households to communities that traditionally have not provided such housing.

This approach is more progressive than earlier methodologies because it recognizes the affordable housing contributions of cities like San Jose, and establishes more aggressive affordable housing goals for cities that have not provided such housing in the past.

**ABAG Executive Board Resolution**
On January 18, 2007, the Executive Board adopted a resolution approving the Regional Housing Needs Methodology for the 2007-2014 period as described in this memorandum (see attachment 2). The resolution also contained language as suggested by San Jose, San Francisco and Oakland that encourages the entire ABAG Executive Board work collaboratively with other regional agencies (such as the Metropolitan Transportation Commission) to support legislation and other mechanisms which will increase transportation infrastructure and affordable housing funding for those jurisdictions that have been given significantly increased allocations under the adopted methodology. This helps ensure that financial resources will be available to these communities in order to successfully reach the elevated targets. This resolution acknowledges the unusually high allocation to the three largest cities in the region. The collaboration is not intended to be only with these three cities, but among all ABAG representatives and regional bodies.

## NEXT STEP

ABAG staff is currently working with the State Department of Housing and Community Development (HCD) on the state's determination of the Bay Area's housing need for the 2007-2014 period. ABAG has submitted its regional projection of households for this period to HCD and is now comparing this number to the Department of Finance's projections. ABAG is talking with HCD about these differing estimates and is confident a fair compromise will be reached. ABAG originally expected to receive the final determination of regional need mid-March; however, as of the date of this memorandum, the determination either has not been received or it has not yet been communicated to Bay Area cities and counties.

## POLICY ALTERNATIVES

Not applicable.

## PUBLIC OUTREACH/INTEREST

- **Criteria 1**: Requires Council action on the use of public funds equal to $1 million or greater. **(Required: Website Posting)**
- **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

While these categories are not applicable for this item, staff did bring the proposed methodology to two Housing and Community Development Advisory Commission meetings (see discussion below under "Coordination."). ABAG is responsible for the public outreach on the proposed methodology.

## COORDINATION

Planning staff discussed the proposed ABAG methodology with the Housing and Community Development Advisory Commission at its November 2006 and December 2006 meetings. Members of the public and the affordable housing community were present and contributed to the discussion. The Commission's input was provided to the Council in a memorandum on RHNA dated January 4, 2007, and discussed by Council at its January 9, 2007 meeting.

## FISCAL/POLICY ALIGNMENT

The City's involvement in the development and application of the ABAG methodology is consistent with the San Jose 2020 General Plan which provides housing opportunities for all income segments of the community and focuses growth to locations with existing and planned transit facilities.

## COST SUMMARY/IMPLICATIONS

Not applicable.

## CEQA

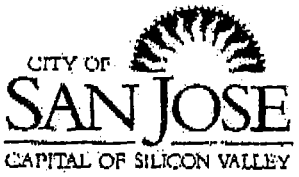
Not applicable.

LESLYE KRUTKO
Department of Housing

JOSEPH HORWEDEL
Department of Planning, Building and Code Enforcement

For more information, please call Laurel Prevetti or Stan Ketchum at 535-7800.

Attachments:
1. San Jose Letter to ABAG Executive Board
2. ABAG Resolution



Les White
CITY MANAGER

Sent Via Fax

January 17, 2007

President David Cortese & Executive Board
ABAG
P.O. Box 2050
Oakland, CA 94604-2050

Dear President Cortese and Executive Board:

On January 9, 2007, the San Jose Mayor and City Council discussed their comments on the proposed Regional Housing Needs Allocation Methodology and requested that I transmit these comments directly to you.

First, the Mayor and City Council acknowledge and appreciate the efforts of ABAG staff in preparing various methodology scenarios for consideration by the Housing Methodology Committee (HMC) and, ultimately, the ABAG Executive Board. The scenarios helped to identify the sensitivity of including and weighting different factors.

Under any of the proposed scenarios, San Jose would receive a significantly higher allocation for the forthcoming planning period than the last period. It is important to note, however, that San Jose continues to have a "jobs/housing" imbalance with more employed residents than jobs. The City is implementing its economic development strategy while continuing to create housing opportunities and assist in the construction of affordable homes.

The City accepts its responsibility for providing its fair share of housing, and while the HMC recommendation does not go far enough to alleviate existing job/housing imbalances, San Jose generally supports the HMC's original recommendation because on a regional basis, housing would be focused to infill locations and away from outlying portions of the Bay Area. The planned and existing transit reinforces appropriate locations for housing development. (The HMC's original recommendation included 40% Household Growth, 20% Employment Growth, 20% Existing Employment, 10% Household Growth Near Transit, and 10% Employment Growth Near Transit).

Should the ABAG Executive Board be inclined to entertain a different alternative, then San Jose would recommend the "reduced transit alternative" which considers only 5% housing growth and 5% employment growth at existing transit stations (ABAG staff recommendation). While San Jose's allocation would likely increase, so would the housing requirements of job-rich cities in

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Santa Clara County. From a subregional basis, it is appropriate for other cities in the subregion to plan for more housing to make up for past shortfalls.

In terms of the income allocation, San Jose supports the more aggressive "175%" approach. In this way, communities would be encouraged to do more than they have in the past to provide for low and very low income housing.

The San Jose Mayor and City Council emphasized in their discussion that the ABAG Executive Board should adopt incentives and work with the Metropolitan Transportation Commission to fund transportation infrastructure consistent with the recommended methodology. In this way, communities assuming a higher proportion of housing allocation should receive funding for the planned transit projects to "reward" the acceptance of a higher allocation.

Similarly, incentives and funding for deeper affordability levels should be pursued and distributed to achieve the more aggressive distribution of housing for low and very low income households.

We appreciate the opportunity to participate in this important process. If you have questions about the contents of this letter prior to the January 18th Board meeting, please call Laurel Prevetti, Deputy Director of Planning, at 408/535-7901.

Sincerely,

Les White