Planning Directors Forum

Monday, November 1, 2021
10:00 – 11:30 a.m.
Go To Webinar

AGENDA

https://attendee.gotowebinar.com/register/2895614863620538635

You must register to attend the meeting. After registering, you will receive a confirmation email containing information about joining the webinar. You will need to download the Go To Webinar software to attend the meeting.

1. **Welcome/Roll Call** *(5 mins)*

2. **AMBAG 6th Cycle RHNA Methodology (Heather Adamson and Paul Hierling, AMBAG and Beth Jarosz, PRB** *(60 mins)*

   AMBAG staff will provide an update on the RHNA methodology for the 6th Cycle RHNA. Planning Directors are asked to provide feedback and input.

3. **Other Items** *(5 mins)*

4. **Next Steps/Adjourn**

Staff Contact
Heather Adamson, AMBAG
(831) 264-5086
hadamson@ambag.org

MEMORANDUM

TO:	**Planning Directors Forum**
FROM:	**Heather Adamson, Director of Planning**
SUBJECT:	**6th Cycle Regional Housing Needs Allocation Methodology**
MEETING DATE:	**November 1, 2021**
RECOMMENDATION:	**INFORMATION**

Planning Directors are asked to provide input and feedback on the draft methodology for the 6th Cycle Regional Housing Needs Allocation.

BACKGROUND/DISCUSSION:

California State Housing Element Law enacted in 1980 requires AMBAG, acting in the capacity of Council of Governments (COG), to develop a methodology for distributing existing and projected housing need to local jurisdictions in Monterey and Santa Cruz Counties. Housing law also sets forth a process, schedule, objectives, and factors to use in the RHNA methodology. The methodology must address allocation of housing units by jurisdiction, housing units by income group, and must address 13 housing-related factors and five statutory objectives (Attachment 1). The Council of San Benito County Governments 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 determine each local jurisdiction's share of the region's future housing need. The RHNA produces regional, subregional, and local targets for the amount and type of

housing needed over the planning period. AMBAG received its 6th Cycle Regional Housing Need Determination (RHND) of 33,274 units from HCD in late August 2021.

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 to assist in the development of the 2023-2031 RHNA methodology and plan, similar to what was established for the 2014-2023 RHNA Plan.

Initial Draft RHNA Methodology

For the past six months, AMBAG has been working with the PDF and Board on discussing potential options for developing a RHNA methodology. In October 2021, AMBAG staff presented a draft RHNA methodology to the AMBAG Board and PDF, as shown in Table 1.

Table 1: AMBAG RHNA Allocation Methodology (as presented in October 2021)

	Draft Preferred RHNA Methodology	Units
Regional Growth Forecast	High	15,655
Employment	High (85%)	17,619
Transit	Low (5%)	
Resiliency Factor (Wildfire and Sea Level Rise)	Low (10%)	

AFFH*	High

All data used in the development of RHNA methodology is based on public sources are shown below:
- Regional Growth Forecast: Housing growth from the 2025-2035 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, CPUC, NOAA

- AFFH: Redistribute a portion of very low and low income units out of jurisdictions with no high/highest resource areas, and shift those units to jurisdictions with high/highest resource areas based on the proportion of their jurisdiction's households in a high/highest resource area, HCD/ California Tax Credit Allocation Committee (TCAC) Opportunity Map

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 preponderance 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 which can sometimes conflict with one another (See Attachment 2).

A key allocation factor in the draft methodology is allocating a portion of RHNA by jobs. Allocating RHNA near existing job centers promotes both equity and environmental goals because workers are often forced to commute long distances when adequate housing is not available near jobs. COGs should put more emphasis on factors such as proximity to jobs that can simultaneously promote both the state's equity and environmental goals. AMBAG's initial draft methodology allocates by job proximity in that a large portion of RHNA will be allocated to jurisdictions which act as job centers. This also meets the RHNA objective of improving the regional jobs/housing balance. In addition, because a large share of the region's total jobs are agricultural, allocating units based on jobs serves a dual purpose of addressing farmworker housing needs.

The jobs allocation takes into consideration the proportional share of jobs within each jurisdiction. Some comments have suggested that AMBAG should consider allocating based on job proximity, rather than jobs within a jurisdiction. Allocating a significant amount of RHNA using proximity of both jobs within and outside of each jurisdiction would result in extremely small jurisdictions having RHNA allocations similar to some of the largest jurisdictions in the region and would drastically reduce RHNA in some of the largest jurisdictions with large low-income populations and existing housing equity concerns such as overcrowding. It would also give Counties some of the highest job-proximity allocations since Counties are within driving distance of all cities, hence they would get a share of the allocation far beyond their regional job proportions. This approach presents its own equity challenges by directing affordable housing away from larger concentrated population centers and areas that currently experience high rates of overcrowding.

By allocating units to jurisdictions based on their number of jobs and their access to high quality transit, the methodology allocates a large number of units to jurisdictions that currently have symptoms of high housing need such as cost burden and overcrowding. Allocating a low number of units to these jurisdictions would pose an equity problem by ignoring existing housing need, including farmworker housing need.

Another key allocation factor in the draft methodology is allocating a portion of RHNA by projected housing growth from 2025-2035. Allocating a share of the units based on the Regional Growth Forecast (RGF) supports the Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) which is based on this same data. This is important to meeting the goals of protecting environmental and agricultural resources and achieving the region's greenhouse gas reduction targets. While this is not the only factor under consideration, using the same growth data as the MTP/SCS is an important consideration toward meeting these statutory objectives. By using the 2022 RGF, it assures that RHNA will be consistent with the 2045 Metropolitan Transportation Plan/SCS which is scheduled to be released later this year.

The 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 has been accepted by the AMBAG Board. Using the RGF in the 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 inappropriate large allocations that exceed the feasible capacity of developable land. This supports RHNA objective 2 promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns.

The RGF allocation step is just a starting point for RHNA, not the only factor in allocation—jobs, transit, and resiliency are used to allocate, and those allocations go above and beyond general plans. In fact, the RHND is higher than jurisdictions have planned through 2050, so general plan changes will be necessary and are not precluded by using the RGF as a part of the allocation.

The draft RHNA methodology also addresses other statutorily mandated considerations such as overcrowding, housing needs of farmworkers and directing growth towards

incorporated jurisdictions. For those reasons, non-high income jurisdictions like Gonzales, Greenfield and Salinas get an above average share of the total units.

Revised Draft RHNA Methodology

AMBAG received comments at both the October 13, 2021, Board meeting and October 18, 2021, PDF meeting on the initial draft RHNA methodology. Staff was asked to explore using a different equity analysis rather than use the HCD/TCAC Opportunity Maps data as well as looking into how the low and very low income units are shifted in the AFFH factor. The revised draft RHNA methodology allocation estimates by factor is provided in Attachment 3.

Equity Analysis

Addressing the income equity disparities of the 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.

AMBAG staff, the PDF, and the AMBAG Board considered the 2020 version of the TCAC Opportunity Map for Monterey and Santa Cruz counties as it was developing the methodology. Unfortunately, the TCAC Opportunity Map does not list some of the most advantaged communities, such as Del Rey Oaks, as high/highest resource and is completely missing data for some tracts and block groups, such as an area near Gonzales and near Elkhorn. In addition, urban/suburban and rural areas are not equally comparable within the TCAC Opportunity Map data. As a result, AMBAG chose to use Racially Concentrated Areas of Affluence (RCAAs), which better reflect areas of advantage in the region (see Attachment 4). The AMBAG methodology shown here directs a higher share of lower-income housing to RCAAs, resulting in approximately 74% of the RHNA allocation to those jurisdictions being very low or low income. The comparable share for non-RCAA jurisdictions is 24%.

Some external comments suggested that total units could have been allocated based on equity. However, AMBAG found that shifting units to higher-income jurisdictions would have resulted in lower unit total allocations to areas with high overcrowding and high need for farmworker housing. Shifting more of the lower-income units to RCAAs allows the AMBAG region to improve equity in the distribution of affordable housing while also directing housing to the communities where it is needed.

AFFH

AMBAG received a comment to consider shifting the very low and low income units differently than was proposed in the initial draft methodology. Attachment 3 shows two options on how the very low and low income units can be shifted. The initial draft methodology presented in October included Option A which shifted Moderate income units to Very Low and Above Moderate units to Low. AMBAG was asked to consider shifting the income units differently as shown in Option B which shifts Above Moderate units to Very Low and Moderate units to Low. After further review and discussions with HCD, AMBAG staff recommends Option B because it furthers the 4th RHNA objective.

Next Steps

Pending feedback from the Planning Directors, AMBAG will bring back the revised draft RHNA methodology for approval to submit the draft methodology to HCD at the November 10, 2021, at the AMBAG Board of Directors meeting. A public hearing on the draft methodology will also be held. Following approval of a draft methodology, AMBAG will submit the draft methodology for HCD review and approval.

ATTACHMENTS:

1. Regional Housing Needs Allocation Objectives and Factors
2. Factors for Consideration in 6th Cycle RHNA
3. Revised Draft Methodology RHNA Unit Allocation & Income Allocation Estimates
4. Racially Concentrated Areas of Affluence for the AMBGA Region
5. Letter Received from California YIMBY, Santa Cruz YIMBY, and YIMBY Law with attachment: https://ternercenter.berkeley.edu/wp-content/uploads/pdfs/A.Osterberg_APA_Best_Practices_for_Allocating_and_Evaluating_RHNA_.pdf

ATTACHMENT 1
REGIONAL HOUSING NEEDS ALLOCATION OBJECTIVES AND FACTORS (§65584.04.E)

This section describes the Regional Housing Needs Allocation (RHNA) objectives and factors identified in state statute which AMBAG must consider. Objectives must be met in all RHNA methodologies. Factors must be considered to the extent sufficient data is available when developing its RHNA methodology.

RHNA Plan Objectives, Government Code 65584(d)

The regional housing needs allocation plan shall further all of the following objectives:

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, which shall result in each jurisdiction receiving an allocation of units for low- and very-low-income households.
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 greenhouse gas reductions targets provided by the State Air Resources Board pursuant to Section 65080.
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, as compared to the countywide distribution of households in that category from the most recent American Community Survey.
5. Affirmatively furthering fair housing.

RHNA Plan Factors, Government Code 65584(e)

1. Jobs and housing relationship

"Each member jurisdiction's existing and projected jobs and housing relationship. This shall include an estimate based on readily available data on the number of low-wage jobs within the jurisdiction and how many housing units within the jurisdiction are affordable to low-wage workers as well as an estimate based on readily available data, of projected job growth and projected household growth by income level within each member jurisdiction during the planning period." - §65584.04(e)

2. **Opportunities and constraints to development of additional housing (see below)**

   2a. Capacity for sewer and water service
   "Each member jurisdiction's existing and projected jobs and housing relationship. This shall include an estimate based on readily available data on the number of low-wage jobs within the jurisdiction and how many housing units within the jurisdiction are affordable to low-wage workers as well as an estimate based on readily available data, of projected job growth and projected household growth by income level within each member jurisdiction during the planning period." - §65584.04(e)

   2b. Availability of land suitable for urban development
   "The availability of land suitable for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities. The council of governments may not limit its consideration of suitable housing sites or land suitable for urban development to existing zoning ordinances and land use restrictions of a locality, but shall consider the potential for increased residential development under alternative zoning ordinances and land use restrictions. The determination of available land suitable for urban development may exclude lands where the Federal Emergency Management Agency (FEMA) or the Department of Water Resources has determined that the flood management infrastructure designed to protect that land is not adequate to avoid the risk of flooding." - §65584.04(e)

   2c. Lands preserved or protected from urban development
   "Lands preserved or protected from urban development under existing federal or state programs, or both, designed to protect open space, farmland, environmental habitats, and natural resources on a long-term basis, including land zoned or designated for agricultural protection or preservation that is subject to a local ballot measure that was approved by the voters of that jurisdiction that prohibits or restricts conversion to non-agricultural uses." - §65584.04(e)

   2d. County policies to preserve prime agricultural land
   "County policies to preserve prime agricultural land, as defined pursuant to Section 56064, within an unincorporated and land within an unincorporated area zoned or designated for agricultural protection or preservation that is subject to a local ballot measure that was approved by the voters of that jurisdiction that prohibits or restricts its conversion to non-agricultural uses." - §65584.04(e)

3. Opportunities to maximize transit and existing transportation infrastructure

"The distribution of household growth assumed for purposes of a comparable period of regional transportation plans and opportunities to maximize the use of public transportation and existing transportation infrastructure." - §65584.04(e)

4. Policies directing growth toward incorporated areas

"Agreements between a county and cities in a county to direct growth toward incorporated areas of the county and land within an unincorporated area zoned or designated for agricultural protection or preservation that is subject to a local ballot measure that was approved by the voters of the jurisdiction that prohibits or restricts conversion to non-agricultural uses." - §65584.04(e)

5. Loss of units contained in assisted housing developments

"The loss of units contained in assisted housing developments, as defined in paragraph (9) of subdivision (a) of Section 65583, that changed to non-low-income use through mortgage prepayment, subsidy contract expirations, or termination of use restrictions." -§65584.04(e)

6. High housing cost burdens

"The percentage of existing households at each of the income levels listed in subdivision (e) of Section 65584 that are paying more than 30 percent and more than 50 percent of their income in rent."

7. Rate of Overcrowding

Factor undefined. - §65584.04(e)

8. Housing needs of farmworkers

Factor undefined. - §65584.04(e)

9. Housing needs of UC and Cal State students

"The housing needs generated by the presence of a private university or a campus of the California State University or the University of California within any member jurisdiction." - §65584.04(e)

10. Individuals and families experiencing homelessness

Factor undefined. - §65584.04(e)

11. Loss of units during an

"The region's greenhouse gas emissions targets provided by the State Air Resources Board pursuant to Section 65080." - §65584.04(e)

12. SB 375 Greenhouse Gas Reduction Targets

"The distribution of household growth assumed for purposes of a comparable period of regional transportation plans and opportunities to maximize the use of public transportation and existing transportation infrastructure." - §65584.04(e)

13. Other factors adopted by Council of Governments

"Any other factors adopted by the council of governments, that further the objectives listed in subdivision (d) of Section 65584, provided that the council of governments specifies which of the objectives each additional factor is necessary to further. The council of governments may include additional factors unrelated to furthering the objectives listed in subdivision (d) of Section 65584 so long as the additional factors do not undermine the objectives listed in subdivision (d) of Section 65584 and are applied equally across all household income levels as described in subdivision (f) of Section 65584 and the council of governments makes a finding that the factor is necessary to address significant health and safety conditions." - §65584.04{e)

Factors for Consideration in 6th Cycle RHNA

Highlight Reflects Jurisdictions Where Factor Should be Considered

	Jobs and Housing Relationship J/H Ratio	Opportunities & Constraints to Development			Maximizing Transit & Transportation Infrastructure High Quality Transit	Directing Growth Toward Incorporated Areas Agreement	High Housing Cost Burdens % Burdened
		Sq.Mi.	% Resilient	Resil. Sq. Mi.			
Region	1.5						41%
Monterey County	1.7						40%
Carmel-By-The-Sea	1.0	1	64%	< 1	no		41%
Del Rey Oaks	1.0	< 1	44%	< 1	yes		32%
Gonzales	3.2	2	100%	2	no	yes (more)	39%
Greenfield	2.0	2	100%	2	no	yes (more)	50%
King City	2.4	4	100%	4	no		50%
Marina	0.8	10	89%	9	yes		38%
Monterey	3.0	12	63%	8	yes		43%
Pacific Grove	1.0	4	95%	4	no		36%
Salinas	1.8	24	100%	24	yes	yes (more)	43%
Sand City	11.1	3	100%	3	yes		59%
Seaside	1.0	9	77%	7	yes		47%
Soledad	2.2	5	96%	4	no	yes (more)	36%
Unincorp. Monterey	1.5	3695	19%	695	yes	yes (less)	33%
Santa Cruz County	1.3						41%
Capitola	2.2	2	83%	1	no		46%
Santa Cruz	1.8	16	75%	12	yes		45%
Scotts Valley	2.1	5	50%	2	yes		37%
Watsonville	2.0	7	95%	6	yes		49%
Unincorp. Santa Cruz	0.8	578	13%	77	yes		37%

Sources:

Jobs: AMBAG 2022 RGF, based on InfoUSA and California Employment Development Department (2020)

Housing: AMBAG 2022 RGF, based on California Department of Finance (2020)

Area: U.S. Census Bureau TIGER geographic files (2019)

Resilience (percent not in high fire risk or 2' sea level rise risk): CALFIRE, CPUC, NOAA

High Quality Transit (has 30 minute headways): AMBAG 2015-2020 transit routes and stops

Directing growth: Jurisdiction survey

Cost Burden: U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS)

Factors for Consideration in 6th Cycle RHNA

Highlight Reflects Jurisdictions Where Factor Should be Considered

	Rate of Overcrowding % Crowded	Farmworker Housing Needs % Reg. Ag. Jobs	Housing Needs of College Students	Pov. Rate	Improving Equity % Above 200% Pov.	Median Income	% White
Region	11%			13%	67%	$75,681	37%
Monterey County	14%			13%	64%	$71,015	27%
Carmel-By-The-Sea	6%	0%		3%	88%	$98,188	87%
Del Rey Oaks	1%	0%		5%	87%	$95,000	68%
Gonzales	18%	5%		10%	59%	$65,527	5%
Greenfield	29%	16%		13%	56%	$59,595	3%
King City	20%	2%		19%	45%	$49,375	7%
Marina	12%	0%	CSUMB	13%	64%	$64,258	33%
Monterey	4%	0%		11%	80%	$80,694	63%
Pacific Grove	8%	0%		7%	85%	$88,250	71%
Salinas	19%	22%		17%	58%	$61,527	11%
Sand City	10%	0%		16%	66%	$63,333	50%
Seaside	12%	0%	CSUMB	13%	65%	$63,575	29%
Soledad	24%	5%		14%	52%	$64,472	8%
Unincorp. Monterey	10%	31%	CSUMB	9%	72%	$89,000	45%
Santa Cruz County	7%			13%	71%	$82,234	54%
Capitola	7%	0%		16%	72%	$71,059	65%
Santa Cruz	5%	0%	UCSC	21%	66%	$77,921	58%
Scotts Valley	3%	0%		4%	87%	$108,289	72%
Watsonville	21%	11%		15%	53%	$55,470	12%
Unincorp. Santa Cruz	5%	8%		10%	79%	$96,000	66%

Sources:

Overcrowding, Poverty, Percent White: U.S. Census Bureau, American Community Survey (2015-2019) and 2020 Census

Other factors (data not available):

Loss of assisted housing units

Housing needs of those experiencing homelessness

Loss of units during emergency

SB 375 GHG reduction targets

Housing Unit Allocation

RHNA Total 33,274	Housing	Jobs 85%			Transit 5%			Resiliency (Wildfire & Sea Level Rise) 10%				RHNA
	Forecast Unit Change 2025-2035	Jobs 2020	% Region	Units	Transit Score	% Region	Units	% Area Not in High Risk Zone	Normalized (% Area x Unit Chg)	% Region	Units	Total
Region	15,655			14,976			881				1,762	**33,274**
Monterey County												
Carmel-By-The-Sea	13	3,566	1%	140	0	0%	0	64%	8	0%	1	**154**
Del Rey Oaks	86	748	0%	29	1	8%	73	44%	38	0%	5	**193**
Gonzales	1,783	6,326	2%	247	0	0%	0	100%	1,783	13%	231	**2,261**
Greenfield	688	7,882	2%	308	0	0%	0	100%	688	5%	89	**1,085**
King City	610	8,195	2%	320	0	0%	0	100%	610	4%	79	**1,009**
Marina	988	6,548	2%	256	1	8%	73	89%	883	7%	115	**1,432**
Monterey	504	40,989	11%	1,603	1	8%	73	63%	315	2%	41	**2,221**
Pacific Grove	122	8,016	2%	314	0	0%	0	95%	116	1%	15	**451**
Salinas	5,416	78,874	21%	3,084	2	17%	151	100%	5,416	40%	702	**9,353**
Sand City	135	2,092	1%	82	1	8%	73	100%	135	1%	18	**308**
Seaside	811	10,476	3%	410	1	8%	73	77%	628	5%	82	**1,376**
Soledad	591	9,010	2%	352	0	0%	0	96%	568	4%	74	**1,017**
Unincorporated Monterey	637	60,293	16%	2,357	1	8%	73	19%	120	1%	16	**3,083**
Santa Cruz County												
Capitola	223	12,250	3%	479	0	0%	0	83%	184	1%	24	**726**
Santa Cruz	986	43,865	11%	1,715	1	8%	73	75%	742	5%	96	**2,870**
Scotts Valley	71	10,109	3%	395	1	8%	73	50%	35	0%	5	**544**
Watsonville	1,279	28,514	7%	1,115	1	8%	73	95%	1,212	9%	157	**2,624**
Unincorporated Santa Cruz	712	45,264	12%	1,770	1	8%	73	13%	95	1%	12	**2,567**

Calculations are performed on unrounded numbers. Numbers shown here are rounded to the nearest whole number. For example 0% in the table above may be 0.00-0.49%

Transit Score: 1 = has transit service with 30-minute headways. 2 = has transit service with both 15- and 30-minute headways.

Adjustments may be made after a methodology has been selected.

Option A: Income Allocation (Shifting M. to V.L. and A.M. to L.)

	Baseline Income Allocation				RCAA			Raw RCAA Adjustments				Rebalance to Income Group Totals				RHNA
	V.L.	Low	Mod.	A.M.		50%	50%									
					In RCAA	Shift V.L.	Shift Low	Very Low	Low	Mod.	Above Mod.	Very Low	Low	Mod.	Above Mod.	Total
Region	7,868	5,146	6,167	14,093				6,284	4,110	7,751	15,129	7,868	5,146	6,167	14,093	**33,274**
Monterey County																
Carmel-By-The-Sea	36	24	29	65	yes	18	12	54	36	11	53	68	45	9	32	**154**
Del Rey Oaks	46	30	36	82	yes	23	15	69	45	13	66	86	56	10	41	**193**
Gonzales	535	350	419	958		-268	-175	267	175	687	1,132	334	219	547	1,161	**2,261**
Greenfield	257	168	201	460		-129	-84	128	84	330	543	160	105	263	557	**1,085**
King City	239	156	187	427		-120	-78	119	78	307	505	149	98	244	518	**1,009**
Marina	339	221	265	607		-170	-111	169	110	435	718	212	138	346	736	**1,432**
Monterey	525	343	412	941	yes	263	172	788	515	149	769	987	645	119	470	**2,221**
Pacific Grove	107	70	84	191	yes	54	35	161	105	30	155	202	132	24	93	**451**
Salinas	2,210	1,446	1,733	3,961		-1,105	-723	1,105	723	2,838	4,687	1,383	905	2,256	4,809	**9,353**
Sand City	73	48	57	130		-37	-24	36	24	94	154	45	30	75	158	**308**
Seaside	325	213	255	583		-163	-107	162	106	418	690	203	133	333	707	**1,376**
Soledad	240	157	188	431		-120	-79	120	78	308	511	150	98	245	524	**1,017**
Unincorp. Monterey	729	477	571	1,306	yes	365	239	1,094	716	206	1,067	1,370	896	164	653	**3,083**
Santa Cruz County																
Capitola	172	112	135	307	yes	86	56	258	168	49	251	323	210	39	154	**726**
Santa Cruz	679	444	532	1,216		-340	-222	339	222	872	1,437	424	278	694	1,474	**2,870**
Scotts Valley	129	84	101	230	yes	65	42	194	126	36	188	243	158	29	114	**544**
Watsonville	620	406	486	1,111		-310	-203	310	203	796	1,315	388	254	633	1,349	**2,624**
Unincorp. Santa Cruz	607	397	476	1,087	yes	304	199	911	596	172	888	1,141	746	137	543	**2,567**

Calculations are performed on unrounded numbers. Numbers shown here are rounded to the nearest whole number.

For example 10% in the table above may be 9.50-10.49%

RCAA = Racially Concentrated Areas of Affluence

AFFH adjustments shift units between Moderate and Very Low (V.L.) categories, and between Above Moderate (A.M.) and Low.

Option B: Income Allocation (Shifting A.M. to V.L. and M. to L.)

	Baseline Income Allocation				RCAA			Raw RCAA Adjustments				Rebalance to Income Group Totals				RHNA
	V.L.	Low	Mod.	A.M.		50%	50%									
					In RCAA	Shift V.L.	Shift Low	Very Low	Low	Mod.	Above Mod.	Very Low	Low	Mod.	Above Mod.	Total
Region	7,868	5,146	6,167	14,093				6,284	4,110	7,203	15,677	7,868	5,146	6,167	14,093	**33,274**
Monterey County																
Carmel-By-The-Sea	36	24	29	65	yes	18	12	54	36	17	47	68	45	15	26	**154**
Del Rey Oaks	46	30	36	82	yes	23	15	69	45	21	58	86	56	18	33	**193**
Gonzales	535	350	419	958		-268	-175	267	175	594	1,225	334	219	509	1,199	**2,261**
Greenfield	257	168	201	460		-129	-84	128	84	285	588	160	105	244	576	**1,085**
King City	239	156	187	427		-120	-78	119	78	265	547	149	98	227	535	**1,009**
Marina	339	221	265	607		-170	-111	169	110	376	777	212	138	322	760	**1,432**
Monterey	525	343	412	941	yes	263	172	788	515	240	678	987	645	205	384	**2,221**
Pacific Grove	107	70	84	191	yes	54	35	161	105	49	136	202	132	42	75	**451**
Salinas	2,210	1,446	1,733	3,961		-1,105	-723	1,105	723	2,456	5,069	1,383	905	2,101	4,964	**9,353**
Sand City	73	48	57	130		-37	-24	36	24	81	167	45	30	69	164	**308**
Seaside	325	213	255	583		-163	-107	162	106	362	746	203	133	310	730	**1,376**
Soledad	240	157	188	431		-120	-79	120	78	267	552	150	98	229	540	**1,017**
Unincorp. Monterey	729	477	571	1,306	yes	365	239	1,094	716	332	941	1,370	896	284	533	**3,083**
Santa Cruz County																
Capitola	172	112	135	307	yes	86	56	258	168	79	221	323	210	68	125	**726**
Santa Cruz	679	444	532	1,216		-340	-222	339	222	754	1,555	424	278	646	1,522	**2,870**
Scotts Valley	129	84	101	230	yes	65	42	194	126	59	165	243	158	51	92	**544**
Watsonville	620	406	486	1,111		-310	-203	310	203	689	1,422	388	254	590	1,392	**2,624**
Unincorp. Santa Cruz	607	397	476	1,087	yes	304	199	911	596	277	783	1,141	746	237	443	**2,567**

Calculations are performed on unrounded numbers. Numbers shown here are rounded to the nearest whole number.

For example 10% in the table above may be 9.50-10.49%

RCAA = Racially Concentrated Areas of Affluence

AFFH adjustments shift units between Moderate and Very Low (V.L.) categories, and between Above Moderate (A.M.) and Low.

Defining Racially-Concentrated Areas of Affluence (RCAAs) for the AMBAG Region

	Affluent			**Racially-Concentrated**	**RCAA**
	% Population Above 200% of Poverty Level	Higher Than Regional Average	% White	Higher Than Regional Average	Both Higher Income and Less Diverse
Region	**67%**		**37%**		
Monterey County					
Carmel-By-The-Sea	88%	yes	87%	yes	yes
Del Rey Oaks	87%	yes	68%	yes	yes
Gonzales	59%		5%		
Greenfield	56%		3%		
King City	45%		7%		
Marina	64%		33%		
Monterey	80%	yes	63%	yes	yes
Pacific Grove	85%	yes	71%	yes	yes
Salinas	58%		11%		
Sand City	66%		50%	yes	
Seaside	65%		29%		
Soledad	52%		8%		
Unincorp. Monterey	72%	yes	45%	yes	yes
Santa Cruz County					
Capitola	72%	yes	65%	yes	yes
Santa Cruz	66%		58%	yes	
Scotts Valley	87%	yes	72%	yes	yes
Watsonville	53%		12%		
Unincorp. Santa Cruz	79%	yes	66%	yes	yes

Data sources: U.S. Census Bureau, American Community Survey (2015-2019), and 2020 Census

10/15/2021

Dear AMBAG Board of Directors and Planning Directors Forum Participants,

California YIMBY, Santa Cruz YIMBY, and YIMBY Law are submitting this letter to the Association of Monterey Bay Area Governments to provide recommendations for adopting a Regional Housing Needs Allocation methodology, based on best practices developed through rigorous academic analysis by experts in the field of planning and housing development, of various methodologies that have already been adopted by Councils of Governments in other regions during the 6th Housing Element Cycle. We also offer our own analysis of the ability of the currently proposed RHNA methodology to meet the statutory requirements for the RHNA process, and make specific recommendations for modifications to the methodology that would further the required statutory objectives, beyond what has been proposed, which we believe to be inadequate.

Accompanying this letter we have included a copy of the RHNA Methodologies Best Practices report from the UC Berkeley Terner Center for Housing Innovation. This report highlights some important policy considerations which we believe AMBAG have, to date, not incorporated suficiently into its proposed allocation methodology. There are a number of best practices COGs can use to increase the likelihood that their allocation promotes the statutory objectives of RHNA. These are highlighted in this letter with bullet points.

- **Put more emphasis on strategies that promote both RHNA's equity and environmental goals simultaneously**. Allocating RHNA near existing job centers promotes both equity and environmental goals because workers are often forced to commute long distances when adequate housing isn't available near jobs. COGs should put more emphasis on factors such as proximity to jobsthat can simultaneously promote both the state's equity and environmental goals.

In an equitable distribution, we would expect to see, at the very least, no pattern

1

of lower-income jurisdictions consistently taking on a larger share of the RHNA allocation relative to their share of the region's population or jobs. Ideally, given that wealthier jurisdictions have historically used exclusionary policies to limit growth within their jurisdictional boundaries, we would see higher-income jurisdictions taking on a larger share of the regional RHNA allocation relative to their share of the region's population and jobs. On the following page is a chart of AMBAG's RHNA distribution as currently proposed in the staff's recommended methodology compared to existing housing stock. This chart shows the total number of housing units in each jurisdiction according to the 2020 US Census, as well as thepercentage growth that the proposed allocation has, based on their 2020 total number of housing units.

As currently proposed, AMBAG's regional methodology does an extremely poor job at promoting equity. According to the 2020 US Census, the AMBAG region has a total of 249,976 housing units. With a determination of 33,274 units for the region, the total regional growth is 13.3%. As currently proposed, some of the wealthiest, most exclusive jurisdictions in our region, such as Carmel and Pacific Grove, are being allocated much smaller growth rates, less than 6%, compared to the region as a whole; while less afluent, more rural communities such as Greenfield and King City are being allocated over 25% growth rates, and two jurisdictions, Sand City and Gonzales, are each being allocated over 100% growth rates. We strongly encourage AMBAG to adopt a more equitable allocation strategy to ensure areas of highest opportunity and access to employment are allocated higher than average growth rates, not lower than average growth rates, as is currently the case.

Label	Monterey Co.	Santa Cruz Co.	Capitola	Carmel	Del Rey Oaks	Gonzales	Greenfield	King City	Marina	Monterey	Pacific Grove	Salinas	Sand City	Santa Cruz	Scotts Valley	Seaside	Soledad	Watsonville
Total Housing Units (2020 Census):	143,631	106,345	5,485	3,056	739	2,088	4,207	3,465	8,022	13,787	8,121	44,405	186	24,014	4,934	10,801	4,524	14,585
Occupied	131,789	96,261	4,624	1,721	699	2,042	4,090	3,282	7,608	12,399	6,772	43,163	163	21,731	4,690	10,149	4,447	14,239
Vacant	11,842	10,084	861	1,335	40	46	117	183	414	1,388	1,349	1,242	23	2,283	244	652	77	346
Unincorporated Balance	40,230	57,327																
Proposed RHNA	3,083	2,567	726	153	193	2,261	1,085	1,009	1,432	2,221	450	9,355	308	2,870	544	1,376	1,017	2,624
% change to existing housing stock	7.7%	4.5%	13.2%	5.0%	26.1%	108.3%	25.8%	29.1%	17.9%	16.1%	5.5%	21.1%	165.6%	12.0%	11.0%	12.7%	22.5%	18.0%

- **Consider equity directly when determining how many total RHNA units a jurisdiction will receive**. Using explicit equity-focused factors—such as measures of segregation or opportunity—when determining each jurisdiction's total RHNA allocation can help ensure lower-income and racially segregated areas are not taking on more than their fair share of RHNA, while also funneling more RHNA to higher income areas with access to key resources that promote economic mobility.

3

We note that AMBAG's current methodology does *not* consider equity directly when determining total RHNA allocations. Instead, staff have proposed an "income-shift" approach that swaps low-income units from lower-opportunity jurisdictions with the higher-income units from higher opportunity areas. The intended outcome of the staff approach is to afirmatively further fair housing by increasing the percentage of low-income units planned for in higher opportunity areas, however, we believe a better approach would be to instead allocate additional total numbers of low income units to areas of high opportunity, instead of just shifting the percentages.

ABAG calls our preferred approach the "Bottom-Up" AFFH methodology. In contrast to the Income Shift, the Bottom-Up income allocation approach does not start with a total allocation assigned with a factor-based methodology. Instead, this approach builds up the total allocation by using factors to determine allocations for the four income categories separately. Factors are selected for the lower two income categories, and then for the upper two income categories, and 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. The jurisdiction's total allocation is calculated by summing the results for each income category. The bottom-up approach ensures that more low income units go to where they are needed most: near higher paying jobs, and in historically exclusive communities.

COG planning staff in other regions argue that simply performing an income shift to afirmatively further fair housing for RHNA allocation is suficient, given that what really matters is how much lower-income RHNA wealthier jurisdictions receive, not their total RHNA allocation. This is due to the fact that lower-income RHNA must be accommodated with a higher zoned density (generally 30 units per acre). Therefore, if suburban or rural jurisdictions receive a large allocation of lower-income units, they will likely accommodate the RHNA with parcels located near the urban core (given that they won't want high density buildings located on the outskirts of town). On the other hand, if these jurisdictions receive a large allocation of higher-income units, they may find that the easiest way to accommodate their RHNA is to zone for single-family housing on undeveloped land — which could lead to sprawl. Consequently, some COGs argue that ensuring non-urban jurisdictions receive a high percentage of lower-income units and a relatively small total RHNA allocation is the best strategy for promoting both RHNA's equity and environmental objectives.

The proposed methodology that AMBAG staff are recommending does not follow the recommended strategy of low total allocations to non-urban jurisdictions. In fact, unincorporated Monterey County, the most rural jurisdiction in the region, is

4

proposed to be allocated the second highest total number of housing units of any jurisdiction in the region after the city of Salinas, while another relatively rural jurisdiction, Gonzales, is proposed to be allocated over a 100% unit increase from 2020 levels, with over 66% of the proposed 2,261 units being moderate or above moderate housing units. Gonzales' proposed total allocation is nearly as large as the proposed allocation for unincorporated Santa Cruz County, which is a much larger, more urban, higher-resourced jurisdiction with over ten times the existing housing stock. Using a bottom-up approach to afirmatively further fair housing would not only help to reduce the likelihood of sprawl development in rural communities such as Gonzales, but would help ensure more homes in our region will be built for people of lowerincomes in areas of the highest opportunities.

- **Consider a jurisdiction's connection to the regional job market, rather thanthe number of jobs located within a jurisdiction.** There is existing data that measures how many jobs are within a 30-minute commuting distance by car of census blocks across the state. Using this data to allocate RHNA can ensure that smaller, wealthier jurisdictions that might be located adjacent to a job center, but don't have a large number of jobs within their jurisdictional boundary, are stillallocated their fair share of RHNA.

We are glad to see that the currently proposed AMBAG RHNA methodology is considering using proximity to jobs, regardless of which jurisdiction the jobs are in, when incorporating employment as an allocation factor. We hope the final version maintains this commitment to creating housing near job centers regardless of jurisdictional boundaries.

- **Carefully weigh whether basing the RHNA allocation on the land use projections in the SCS is appropriate**. Some SCS land use projections incorporate factors—such as the speed by which jurisdictions approve housing permits and a jurisdiction's current zoned capacity—that arguably should not beconsidered at any point in the RHNA allocation process based on statutory guidelines. Further, allocating RHNA based on these land use projections can result in an allocation that does not further the statutory objectives of RHNA. In these cases, COGs should not assume they are legally required to allocate RHNA based on the SCS.

The AMBAG Sustainable Communities Strategy states that "All growth is consistent with General Plans and was based on direction from jurisdiction planning staff."

5

This makes it problematic to use the SCS as the primary basis for assigning RHNA when RHNA may specifically require general plan amendments to implement. Relying on the SCS for a baseline allocation bakes in the constraints from jurisdictions existing general plans, and doubles down on existing patterns of systemic segregation and inequity to the extent that those are undressed in the existing general plans. AMBAG staff currently propose to allocate part of the RHNA, approximately half, based on the land use projections in their SCS, which is primarily designed to help the region meet its greenhouse gas reduction goals. When equity is taken into account, it is as a secondary step that only affects what percentage of a jurisdiction's RHNA allocation falls into each of the four income buckets.

AMBAG's SCS gives jurisdictions that believe they are already "built out" a lower proportion of the projected population growth, even if they also have high access to jobs and other key resources. AMBAG's SCS incorporates factors—such as the speed by which jurisdictions approve housing permits and a jurisdiction's current zoned capacity—that should not be considered at any point in the RHNA allocation process given statutory guidelines. Further, depending on how the SCS incorporates existing zoned capacity into its growth projections, predominantly using the SCS to allocate RHNA could result in a distribution that does not further any of the five statutory objectives.

- **Use publicly available data from objective, external sources.** Allocating RHNA based on COGs' internal data that incorporates local input raises equity concerns, because it allows small, wealthy jurisdictions that have a significant political incentive to minimize local housing development an opportunity to bias the RHNA allocation. Wherever possible, COGs should use publicly available data from external sources within their RHNA allocation methodology.

We request that all sources of data be cited and made available to the public and to the AMBAG Directors prior to the draft methodology approval. We are particularly concerned that the data selected for the proposed draft methodology to date does not identify the cities of Del Rey Oaks or Scotts Valley to be jurisdictions of high opportunity, despite the fact that they both have much higher than average median incomes compared to the region as a whole. Without datasets that reflect our shared understanding of reality, it is hard to believe the intended outcomes of the selected methodology will accurately reflect the values AMBAG emphasizes in its allocation approach. More transparency for datasets is crucial for an informed decision-making process.

6

- **Develop strategies that allow stakeholders to meaningfully participate in discussions about how to allocate RHNA**. The RHNA process is very complex, but some COGs have developed tools that allow the public to understand more intuitively how different RHNA allocation strategies affect the spatial distribution of RHNA. More COGs should use these tools to ensure that stakeholders can meaningfully weigh in during the RHNA methodology development process.

We are dismayed that AMBAG has not been able to produce a tool that allows the public to understand how various allocation strategies, as determined by any proposed methodology, will result in distribution of housing units to each of the jurisdictions. We have only been able to estimate distributions based on the calculations staff have produced for their recommended methodology, but both the public and AMBAG Directors have not been afforded the opportunity to review calculations for alternative methodological options to see how those options might change the distributions assigned to each city or unincorporated county in the Monterey Bay Area. While at this stage we recognize it's unreasonable to develop a tool such as ABAG's methodology visualization tool, we encourage the staff to at least provide calculations for distributions of multiple methodology alternatives, including those we are recommending in this letter. Understanding the extent to which a methodology promotes RHNA's statutory objectives requires not only understanding the broad theoretical approach employed by a COG, but also an analysis of the plan's actual output.

We hope that the leaders of the Monterey Bay Area region recognize the seriousness of the task at hand: planning for the region's state-mandated future growth for the next decade. While this process may be new to some of you, or familiar to others, what differentiates RHNA and the Housing Element now, in this current planning cycle, from previous cycles is the added legal weight that the state has placed on local jurisdictions to ensure that the planned housing goals are actually achieved. In years past, a city or county could get away with failing to zone for affordable housing at the required densities, or failing to facilitate the planned housing growth by falling short of its RHNA objectives; that is no longer the case. Now that state lawmakers have beefed up the enforcement mechanisms to ensure compliance with state law, with potential fines, reductions in funding, and loss of control of local land use decision making, it is imperative that the RHNA process be executed carefully and intentionally.

Since housing growth based on RHNA allocations is now expected to actually be achieved, and since there are serious consequences for failing to meet the

7

requirements of the law, it's important that the RHNA methodology be adopted with as much care and diligence as possible. We believe the best outcomes for the Monterey Bay Area region: more affordable housing where it's needed most, reduced greenhouse gas emissions, more opportunities for social mobility, economic growth, and improved quality of life, will be best achieved by learning from what worked and what didn't work in other regions, and applying those lessons to the task at hand. Please take heed of our recommendations and review the attached RHNA Methodologies Best Practices report from the UC Berkeley Terner Center on Housing Innovation. We also want to extend an offer to meet with any representative from any AMBAG jurisdiction who would like to discuss our recommendations in greater detail prior to the adoption of the draft methodology at your November board meeting.

Sincerely,

Aaron Eckhouse
Regional Policy Director, California YIMBY
aaron@cayimby.org

Rafa Sonnenfeld
Co−lead, Santa Cruz YIMBY
Paralegal, YIMBY Law
rafa@yesinmybackyard.org

California YIMBY is a movement dedicated to ending our state's housing crisis and building a more inclusive, affordable, and accessible state for ALL Californians. **Santa Cruz YIMBY** is a chapter of YIMBY Action, a network of pro-housing activists fighting for more inclusive housing policies and a future of abundant housing. **YIMBY Law** is a project of the 501(c)(3) nonprofit Yes In My Back Yard. We are dedicated to making housing in California more accessible and affordable.