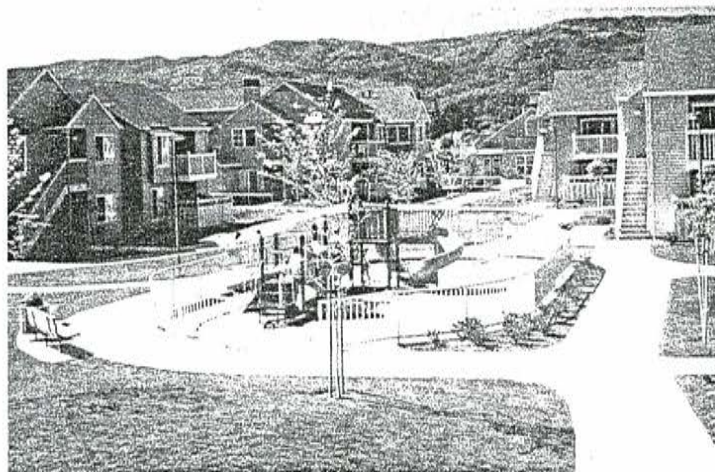




Regional Housing Needs Determination for the San Francisco Bay Area



2001-2006 Housing Element Cycle



Association of Bay Area Governments
Representing City and County Governments of the
San Francisco Bay Area

Regional Housing Needs Determination
for the San Francisco Bay Area
2001-2006 Housing Element Cycle

June 2001

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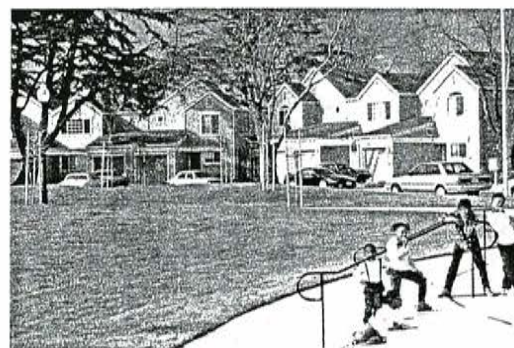
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Executive Summary

The Bay Area's phenomenal growth has led to unprecedented economic prosperity for many of those who live here. However, the region's desirability has made it increasingly expensive. As the gap in wages for workers in highly skilled positions and in the retail and personal services sector has grown, lower wage workers have been left behind-particularly as housing costs have skyrocketed.

By the year 2005, the population in the Bay Area is expected to grow by 450,000. Providing sufficient housing for this growth is crucial if we are to maintain the region's social and economic vitality. The mismatch between the location of jobs and housing is already straining the region's roadways and environment.

As the cost for housing near job centers has risen, workers have sought more affordable housing in communities farther and farther away from their jobs, compounding traffic congestion. This trend is not uncommon in many of the booming regions in California.

To respond to state population and household growth, and to ensure the availability of decent affordable housing for all income groups, the State of California enacted law that requires the Association of Bay Area Governments (ABAG) and other councils of governments (COG) to periodically distribute the state identified housing need for their regions.

The state Department of Housing and Community Development (HCD) is responsible for determining this regional need, initiating the process by which each COG must then distribute their share of statewide need to all jurisdictions within its region.

After a two and a half year process, ABAG has completed the Regional Housing Needs Determination (RHND) process and prepared this summary document for the 2001 - 2006 housing element cycle.

This report responds to state law requirements, describing the RHND process and the methodology used to quantify the housing needs for existing and future residents of the San Francisco Bay Area.



Introduction

State Housing Element Law enacted in 1980 (Chapter 1143, Statutes of 1980; AB 2853) requires the Association of Bay Area Governments and other councils of governments in California to determine the existing and projected regional housing needs for persons at all income levels. ABAG is also required by law to determine each jurisdiction's share of the regional housing need in the nine-county Bay Area.

This report responds to the requirements of State Housing Element Law for the San Francisco Bay Area Region. It describes the process and methodology used to estimate existing and projected regional housing need, consistent with specific statutory requirements identified in State Housing Element Law.

Contents of this Report

Chapter I A provides a brief overview and timeline of the Regional Housing Needs Determination (RHND) process. Chapter I B of the report includes a regional profile of the nine-county Bay Area and provides snapshots of the changing demographic profile, job growth and employment patterns as well as the increasing bifurcation in household income growth, all of which impact housing issues in the area. Chapter I C describes the current housing crisis in the Bay Area and briefly details the costs of underproducing housing, an important effect which will undercut the recent, phenomenal Bay Area economic growth. Chapter I provides the backdrop against which the RHND methodology was developed.

Chapter II of this report describes the methods and policies for calculating regional housing need. Chapter II A shows how specific statutory requirements were taken into consideration. It also includes the final allocation tables identifying each city and county's share of the regional housing needs determinations.

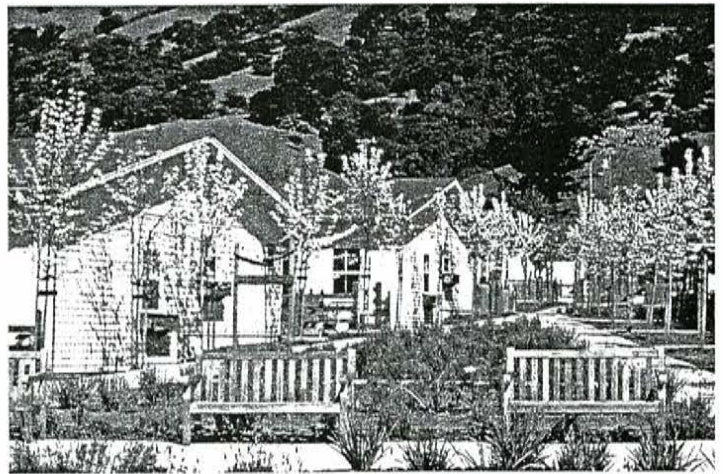
Changes in Housing Element Law since the last RHND (1989) cycle have been detailed in Chapter II B while a full explanation of ABAG's methodology is available in Chapter II C.

Chapter II D describes the local government review process. State law provides a 90-day waiting period for Boards of Supervisors and City Councils to consider the RHND allocations for respective jurisdictions. A city or county may then request a revision of its share of regional housing needs based on available data and accepted planning methods. ABAG's acceptance or rejection of a local government's revision must take place within 60 days following this Revision period. Chapter II E describes policies and guidelines for the transfer of housing need responsibilities during the 1999-2006 RHND planning time frame.

Additional technical information is contained in the Appendices. Appendix A contains relevant correspondence between ABAG and the state Department of Housing and Community Development (HCD) staff. Appendices B, C and E contain text pertaining to Housing Element Law, relevant Assembly Bills, and the Attorney-General's Opinion. Appendix D provides an overview of ABAG's Projections modeling system and the assumptions used to prepare the forecast. Appendix F contains an analysis of overpayment by owners and renters in the region. Appendix G contains the revision guidelines, criteria and definitions used by the RHND process and Appendix H summarizes each jurisdiction's proposed revision and ABAG staff's recommended action. Appendix I contains a summary of appeal resolutions made by ABAG's Appeals Committee.

This Report is available in both print and CD formats. The print format is brief and contains Chapter I and Chapter II. Appendices A through I are available only on CD format. The CD format also contains a searchable index.





Chapter I

Background & Overview

*Regional Housing Needs Determination
Association of Bay Area Governments*

A. Overview and Timeline of the RHND Process

The State of California requires the Department of Housing and Community Development (HCD) to identify housing needs for each region as a response to the growing population and household growth in the state. State law (Government Code Section 65584) further mandates that each council of governments (COG) distribute the State identified housing needs allocations to each jurisdiction within the COG's region. This process was last undertaken by ABAG in 1989.

In 1999, after a ten-year lapse, the State Legislature re-instituted the Housing Needs Determination Process. HCD provided regional housing numbers or "goal numbers" that specified the regions' share of the state's housing need.

It is ABAG's responsibility to determine the fair share of regional housing need for each city and county within the San Francisco Bay Area region for the period January 1, 1999, to June 30, 2006. The law states that "[T]he share of a city or county of the regional housing needs includes the share of the housing need of persons at all income levels within the area significantly affected by a general plan of the city or county."

State Law also requires ABAG to "determine the existing and projected housing need for its region" after considering several statutory requirements, which are described in detail in Chapter II B of this report. State Law further requires that the distribution of the regional housing needs allocations "... seek[s] to reduce the concentration of lower income households in cities and counties which already have disproportionately high concentrations of low income households."

The details of the methodology are each COG's responsibility, working in cooperation with HCD. ABAG is required to provide HCD and each jurisdiction within its region "with data describing the assumptions and methodology

used in calculating its fair share of regional housing need." After ABAG makes its initial determination, HCD has 30 days to ensure that the determination is consistent with statewide housing need and may make necessary revisions. During the early stages of the RHND process, ABAG and HCD worked in a collaborative effort to determine the Bay Area's share of the statewide housing needs goals. HCD's initial determination was 310,761 housing units for the 1999-2006 RHND time frame. ABAG compared this initial figure with its bi-annual forecasts of growth in the region, and determined that the goal figure was significantly larger than the expected growth in households for the region. ABAG provided HCD with its estimates of population and households, which ultimately resulted in a reduction of the initial determination by HCD to 230,743 housing units.

State Housing Element Law sets forth a schedule and process for the RHND distribution cycle. The Process begins with the COG's determination of each jurisdiction's RHND allocation assignments. A Review period follows, whereby each jurisdiction is given 90 days following ABAG's initial determination to propose any revisions to its share of regional housing need. At the conclusion of the Review stage, a Revision stage follows. Within 60 days after a city or county proposes a revision, ABAG "shall accept the proposed revision, modify its earlier determination, or indicate, based upon available data and accepted planning methodology, why the proposed revision is inconsistent with the regional housing need."

Immediately following the Review and Revision stages of the RHND process, ABAG must adopt final RHND allocation assignments. On completion of this cycle, each jurisdiction is required by law to incorporate RHND allocation into an updated version of its Housing Element in the General Plan. Updated housing elements must be completed and submitted to HCD by December 31, 2001. RHND milestone dates are listed on Page 7 of this chapter.

RHND Process Outreach Efforts

Throughout the two and half years of the RHND process, ABAG has made consistent and sustained efforts to keep the process open and accessible. These efforts include setting up a web site where all correspondence and methodology issues are posted (<http://www.abag.ca.gov/planning/housingneeds/>) and establishing regular channels of communication with all jurisdictions and the state.

In March of 1999, some months prior to starting the RHND Process, ABAG staff requested that jurisdictions identify a staff person as the main RHND contact. The ABAG Executive Board created an 18-member Housing Methodology Committee (HMC), comprised of one elected member and one professional staff person representing each of the Bay Area's nine counties. The HMC worked with ABAG staff to develop a methodology to distribute the Regional Housing Needs Determination allocations to each jurisdiction in the region. In addition, a broader "Peer Review Group," was established to provide input and feedback regarding the RHND methodology. This Peer Review group included elected officials, city & county staff, and members from various stakeholder groups throughout the region. This process allowed representation from every jurisdiction in the region.

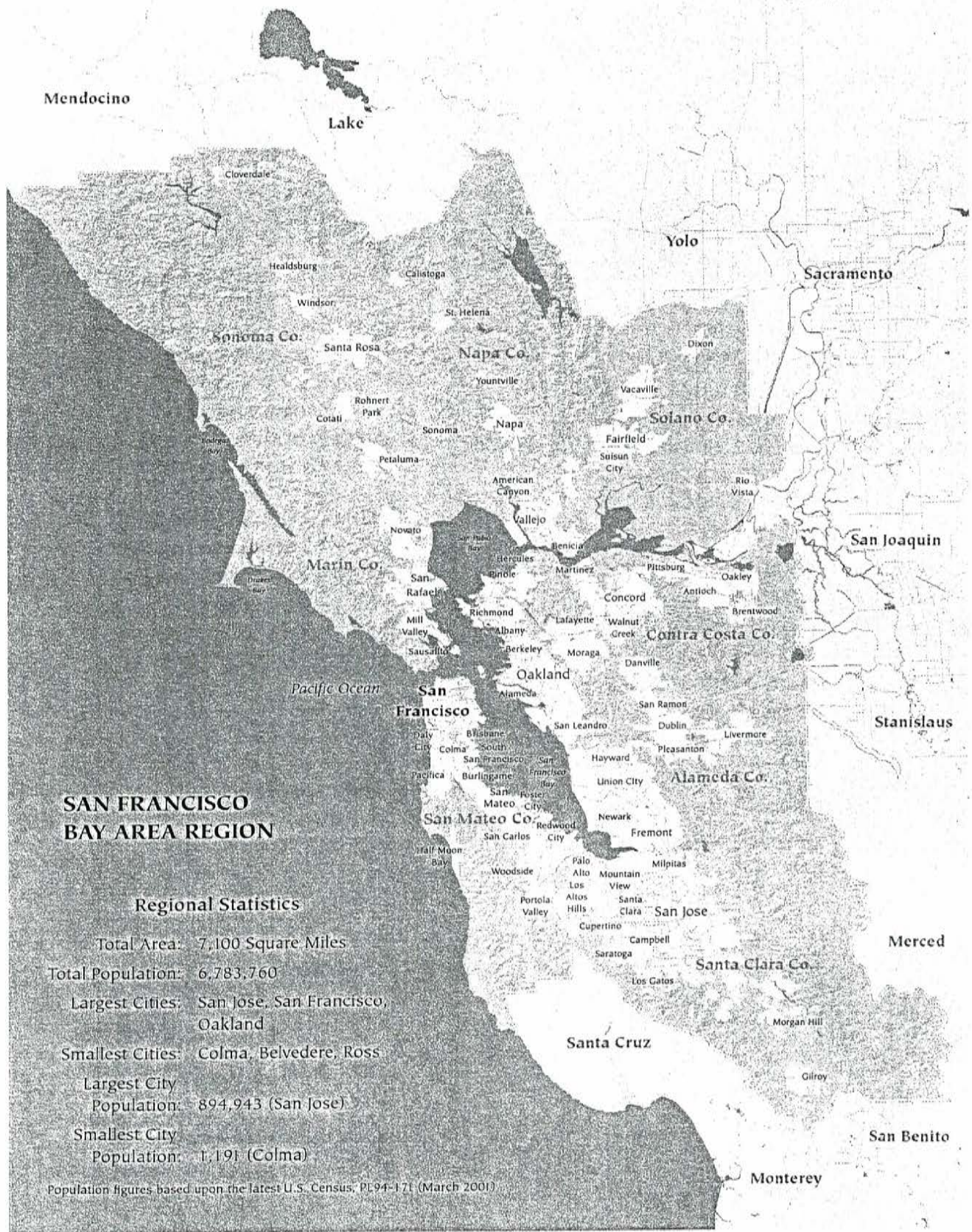
Another important part of the outreach effort included a series of sub-regional meetings held around the Bay Area to explain the process and the methodology. Presentations were made to the City Managers, Mayors and Council Members and Planning Directors Associations as well as to individual jurisdictions, as requested.

The feedback received through these outreach efforts resulted in significant modifications to RHND methodology following the first release of RHND housing numbers on December 1, 1999. The modified RHND methodology incorporated a jobs/housing balance ratio adjustment component that focused RHND allocations towards employment centers throughout the region.

As part of the ongoing RHND outreach effort as well as to address the regional housing crisis, ABAG also released the *Blueprint 2001 for Bay Area Housing* document, developed in collaboration with the Bay Area Council, Greenbelt Alliance, Home Builders Association of Northern California, Non-Profit Housing Association of Northern California and the California Affordable Housing Law Project. Blueprint 2001 provides an overview of the housing element process, state law requirements and community participation strategies. It also provides detailed information on programs, strategies and resources for supporting affordable housing within a framework of sustainable development and smart growth.



Figure 1. Regional Map

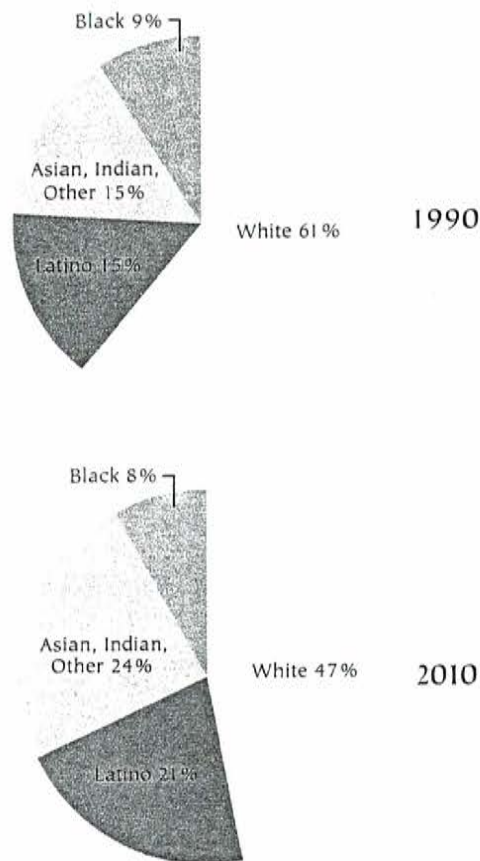


An Increasingly Diverse but Graying Population

An increase in the number of people 65 and older will result in a dramatic change in the Bay Area's population. Currently estimated to be about 11 percent of the population, seniors will comprise nearly 14 percent of the population by the year 2010. This change may have a significant impact on housing needs, as well as on a wide range of social programs and services.

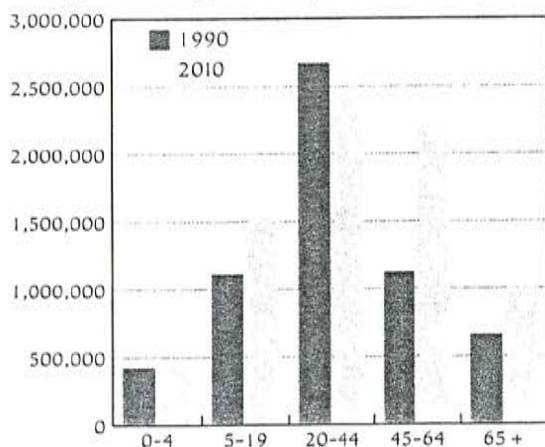
By 2010, about 54 percent of all Bay Area residents will be persons of color. Asians and Pacific Islanders will see the most growth: from about 15 percent of the population in 1990 to about a fourth of the total population in 2010, followed by people of Hispanic origin, who will grow to about 21 percent of the population in 2010 from a little over 15 percent of the population in 1990. The percentage of African-Americans is expected to remain constant. These trends are also related to the region's expected increase in average household size, growing from 2.61 in 1990 to 2.81 in 2010. These shifts signal an upcoming significant impact on housing needs.

Figure 5. Regional Population by Ethnicity



Source: 1998, California Department of Finance

Figure 4. Regional Population by Age



Source: December 1999, ABAG Projections 2000

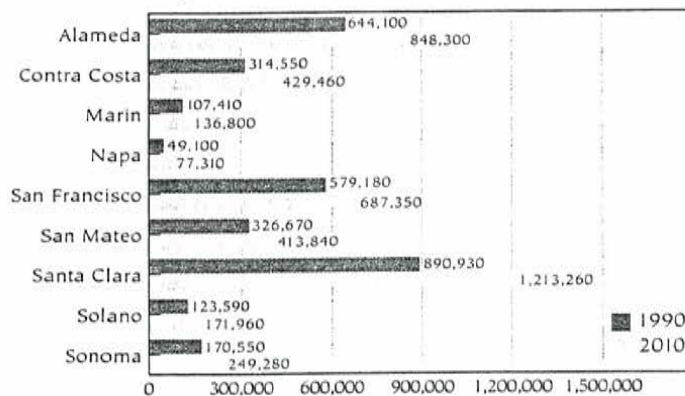
	1990	2010
Asians + Pac Isl.	15%	25%
Hispanic	15%	21%
African-Am	=	=
household	2.61	2.81

Job Growth and Employment Patterns

Job growth and employment patterns in the Bay Area are undergoing significant changes both in types of jobs available and their location. The regional economy is diversifying, even as growth in the information and high technology sector remains significant. The nine-county Bay Area is expected to add more than a million jobs between 1990 and 2010. About 39 percent of these jobs will be in the services sector (business and professional, health and recreation, social and personal), the manufacturing and wholesale sectors will comprise 21 percent and the remaining 40 percent will include a variety of professional related jobs ranging from communications, insurance and real estate to construction and transportation.

Santa Clara County will see the highest number of new jobs in the services and manufacturing sector, while Alameda County will gain the most new jobs in retail and other sectors. In terms of cities, San Francisco followed closely by San Jose are expected to gain the most new jobs. The rate of job growth will, however, be highest in the East and North Bay Areas. Sub-regional clusters in Contra Costa-Alameda Counties' Tri-Valley, Sonoma County's Telecom Valley, San Francisco's Multi-media Gulch and the Fremont-Milpitas Corridor are also expected to boom.

Figure 6. Job Growth by County

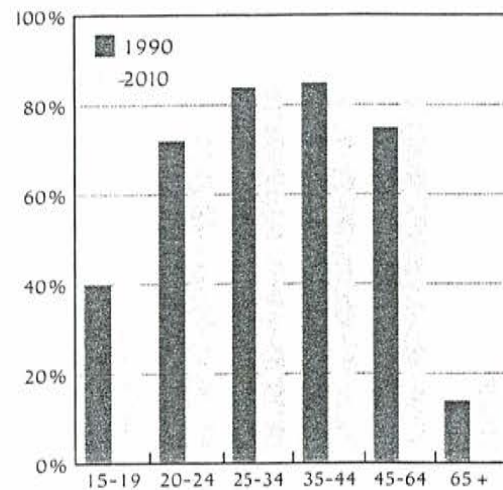


Source: December 1999, ABAG Projections 2000

However, the burgeoning economy continues to produce more jobs than housing units, particularly in job-rich communities, with significant impacts on housing prices and rents. The price of buying or renting a home has soared and is amongst the highest in the nation.

We will also see an older labor force. By the year 2010, it is expected that nearly a fifth of those 65 and older in the region will still be working (in comparison to the 1990 labor participation rate of 14 percent). This is due in part to the region's high cost of living. The region's residents also hold a higher rate of multiple jobs, which can be attributed to the high cost of living.

Figure 7. Bay Area Labor Force Participation Rate



Source: December 1999, ABAG Projections 2000

Household Income

The Bay Area's median household income is among the highest in California. Marin County will continue to have the highest mean household income, while the fastest growth rate in mean household income is expected in San Francisco and Santa Clara counties.

However, the income disparities between the wealthiest and the least affluent—a phenomenon occurring worldwide due, in part, to changes in the labor market—are also wide in the Bay Area, and growing.

Disparities between cities are high and will continue to spread. Figure 9 illustrates the income disparities of jurisdictions in the region. The ratio of household income for the cities of Atherton and Oakland is expected to spread from 6 to 1 in 1990, to 8 to 1 by 2020. Similar patterns can be seen in other cities as well.

Figure 8. Projected Mean Household Income

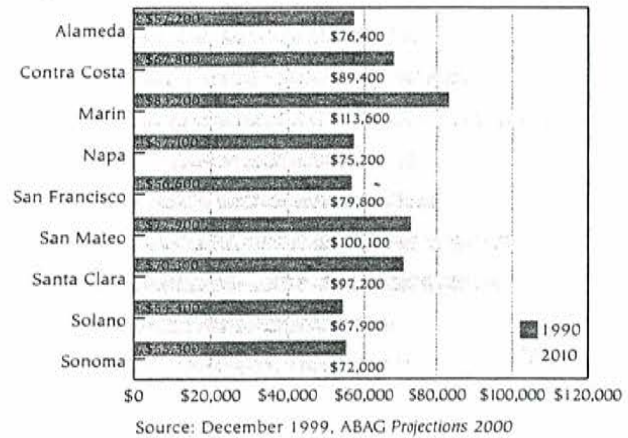
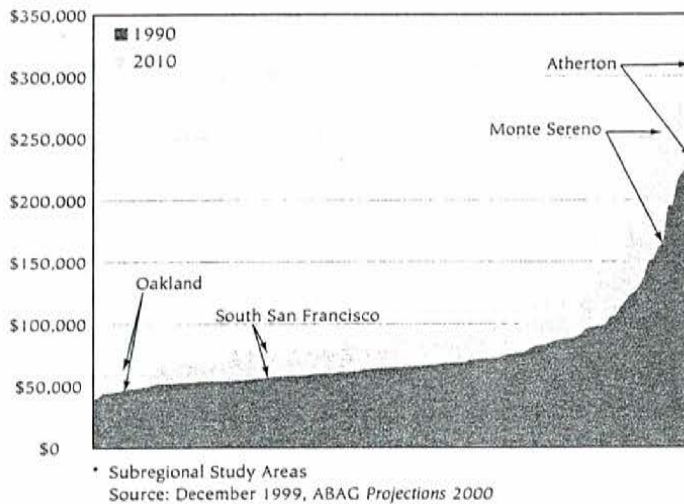


Figure 9. Projected Mean Household Income in San Francisco Bay Area Communities *



C. Housing Issues in the Bay Area

The Regional Housing Crisis

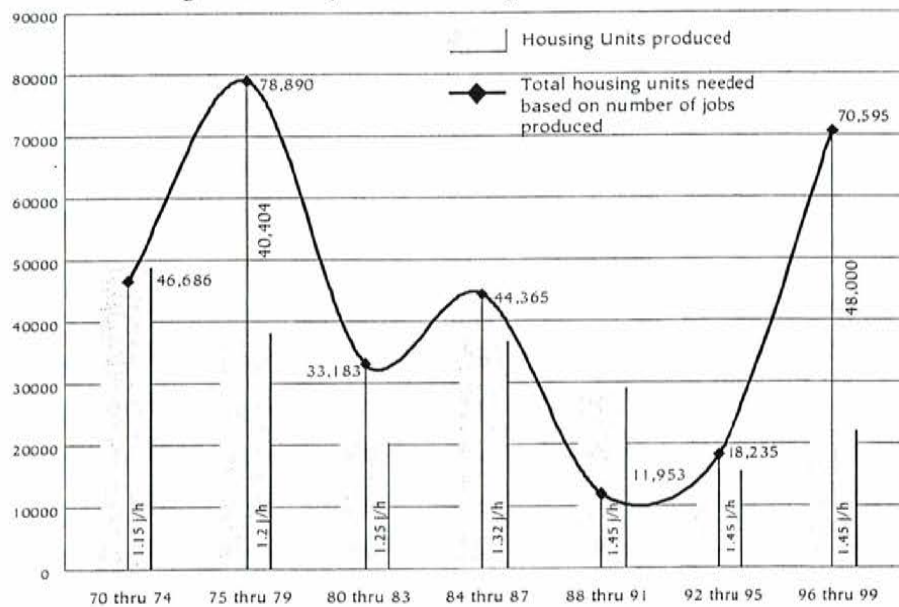
The Bay Area is in the midst of a housing crisis, with housing affordability at an all-time low. Recent estimates indicate that only 16 percent of Bay Area households can afford a median priced home in the region, with affordability dropping to as low as 12 percent in Contra Costa and San Mateo Counties and 10 percent in San Francisco (California Association of Realtors, July 2000). It is expected that this housing crisis will have long-term economic repercussions and significant impacts on the quality of life as the region's roadways are clogged with workers traveling increasingly longer distances to get to work.

One reason for the housing crisis is that housing growth has not kept pace with job growth. Between the years 1990 and 2000, the Bay Area produced nearly 500,000 new jobs but less than 200,000 housing units. The jobs/housing imbalance is particularly striking in job-rich centers such as northwest Santa Clara County where nine jobs were produced for every new home built in the 1990s.

Further exacerbating matters is the type of housing stock being created. Nearly two-thirds of the Bay Area's current housing stock is single-family. The severe lack of multi-family housing development in most communities has resulted in large numbers of people not being able to afford housing in the areas where they work. This includes older residents, younger families and other segments of the population searching for affordable housing.

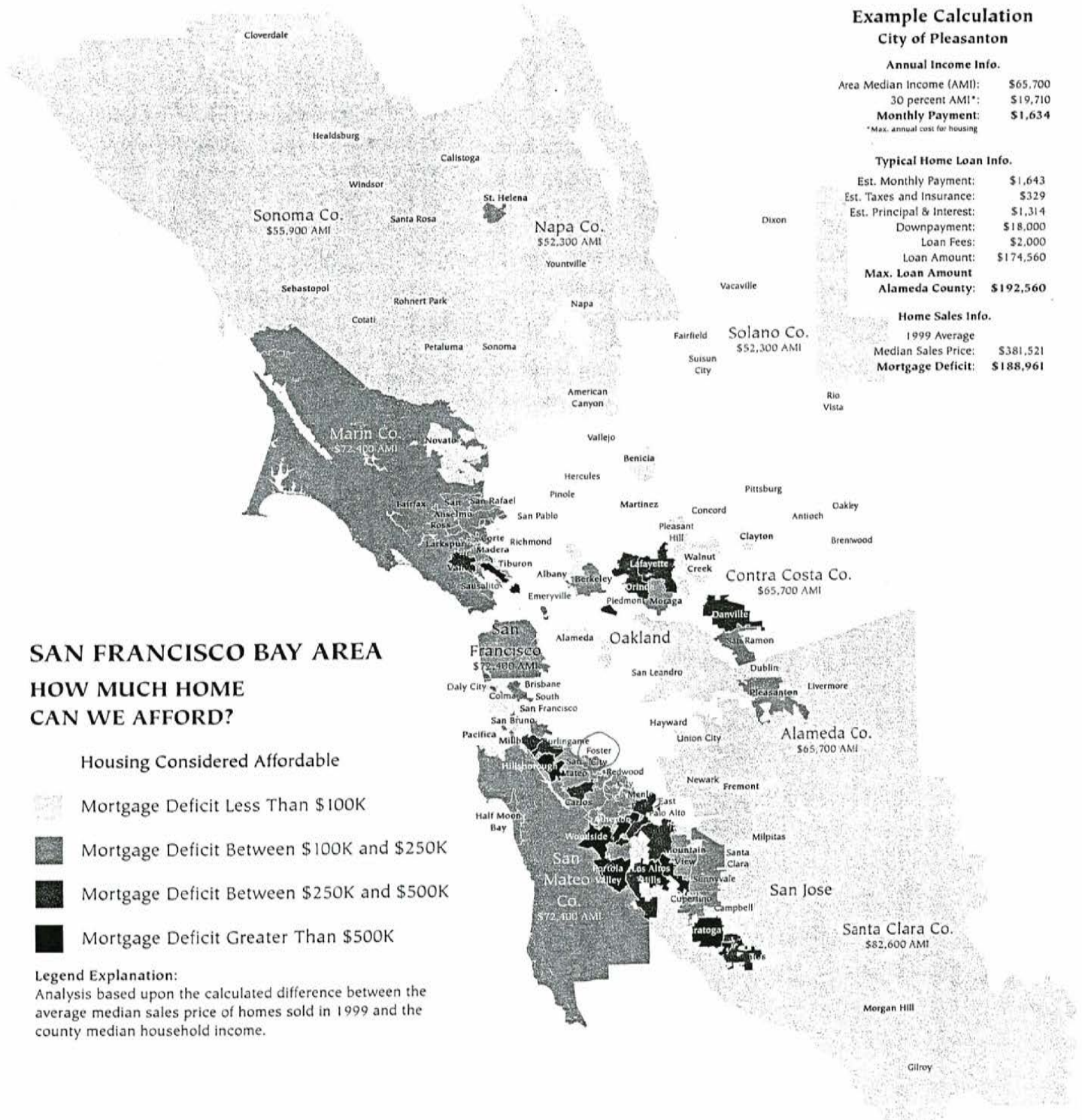
Another major factor contributing to the lag in housing production is local policies related to land use and development. While few communities have sought to limit job growth, many jurisdictions have limited residential development, favoring non-residential uses over residential uses or establishing low-density limits on residential lands. It can be said that the cumulative impact of land use policies and development decisions aimed at protecting the quality of life for the region's residents has actually had an opposite effect. It has increased housing costs by limiting housing availability, as well as produced more sprawl, traffic congestion and a lower quality of life for many of the region's residents.

Figure 10. Bay Area Housing Production vs. Need



Source: March 2000, Department of Finance, ABAG

Figure 11.



**SAN FRANCISCO BAY AREA
 HOW MUCH HOME
 CAN WE AFFORD?**

Housing Considered Affordable

- Mortgage Deficit Less Than \$100K
- Mortgage Deficit Between \$100K and \$250K
- Mortgage Deficit Between \$250K and \$500K
- Mortgage Deficit Greater Than \$500K

Legend Explanation:
 Analysis based upon the calculated difference between the average median sales price of homes sold in 1999 and the county median household income.

Costs of Under-producing Housing

The costs of under-producing housing are many and range from higher housing cost burdens and disproportionate impacts on lower-income renters to increases in overcrowding and commute times.

High Housing Cost Burdens

Under-producing housing creates a supply-constrained housing market, which contributes to steep increases in housing prices and rents. According to DOF estimates, median home prices in the Bay Area rose 28 percent between December 1999 and December 2000. Data on average home prices between December 1998 and 1999 from the California Association of Realtors shows similar increases, with some cities in the region recording increases of over 45 percent. While median household incomes in the Bay Area are higher than many metropolitan areas in California, they are not high enough to keep pace with rising housing costs.

Another result of the housing cost burden is that a large number of Bay Area residents consistently devote a higher percentage of their income to housing. While median housing cost burden for all homeowners in metropolitan areas across the US was about 17 percent of household income in 1995, cost burdens for owners in San Francisco/Oakland was about

22 percent with San Jose being one percentage point higher. First time homeowners and recent new comers to San Francisco/Oakland and San Jose had even higher median cost burdens at 31 percent (HCD, 2000). Homeownership rates for these jurisdictions are also lower than the US average of 65 percent: 55 percent for San Francisco/Oakland and 59 percent for San Jose in 1995.

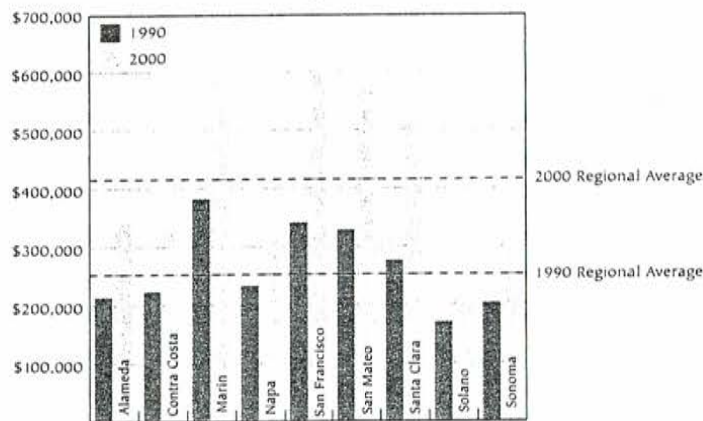
A study of housing markets across the state for the period 1995-1997 (HCD, 2000) shows that average rents rose at almost double the rate of growth in average home prices. For the two year period of 1995-1997, the average percentage change in home prices was 5.35 percent for the Bay Area, substantially lower than the 12.9 percentage change in average rents for the same period. Santa Clara County had the highest increases, both in home prices (11 percent) and average rents (27 percent).

Disproportionate Impacts on Lower Income Renters

Within the rental market, the burden of high housing costs falls disproportionately on low and very-low income renters. In 1995, about three-fourths of California's very-low income renters paid more than half their income for rent in comparison to about a third amongst all renters across the state. Low-income households are defined as those earning 80 percent and below county-median household incomes, while very-low income households are those with incomes less than 50 percent of county-median household income (HCD, 2000).

More recently, the US Department of Housing and Urban Development (HUD) estimated that monthly Fair Market Rents (FMR), for a two-bedroom unit, are between \$857 in Solano and Napa Counties, and \$1,154 in Marin, San Francisco and San Mateo counties. Compared to the Statewide average of \$791, the Bay Area significantly stands out.

Figure 12. 1990-2000 Average Prices for New and Existing Homes by County



Source: 2000, Real Estate Research Council of Northern California

To afford these rental prices, a lower-income family of four in Solano and Napa Counties would be paying almost two-thirds of their income towards housing costs while families in Marin, San Francisco and San Mateo Counties would typically pay about 75 percent of their income towards rent for a two bedroom unit. At these costs, more than half of all renters are unable to afford FMRs (National Low Income Housing Coalition (NLIHC), 2000).

A further calculation showed that renters would need to earn an hourly wage between \$16.50 (Napa and Solano Counties) and \$38.50 (San Francisco, Marin and San Mateo counties) to afford FMRs for two bedroom units. If California minimum wages of \$5.75 per hour were taken into consideration, families in Solano and Napa would typically have to work a minimum of 115 hours per week, while those living in Marin, San Francisco and San Mateo would put in 195 hours of work per week to afford a two-bedroom unit at fair market rents. Simply put, lower-income residents in the Bay Area, whose median household incomes in 2000 ranged between \$32,870 in Solano County to \$53,463 in San Francisco cannot afford to live in the places where they work (NLIHC, 2000).

Table 1. Estimated Number of Renters Unable to Afford Fair Market Rent

County	One Bedroom	Two Bedrooms	Three Bedrooms
Alameda	38%	48%	64%
Contra Costa	42%	52%	67%
Marin	52%	64%	79%
Napa	43%	52%	69%
San Francisco	44%	54%	70%
San Mateo	47%	58%	75%
Santa Clara	36%	46%	61%
Solano	43%	52%	69%
Sonoma	38%	50%	66%

Source: "Out of Reach", September 2000.
National Low Income Housing Coalition (www.nlihc.org)

Rising Overcrowding

Under-production of housing and rising housing cost burdens also result in overcrowded units.

Overcrowded units are defined as those where the ratio of persons-to-rooms exceeds 1.0, with severe overcrowding in units where the ratio exceeds 1.5. Overcrowding is a problem across California, with numbers having doubled between the 1980 and 1990 census when about 1.2 million households (about 12.3 percent of total households) experienced overcrowded conditions. Overcrowding levels are also generally higher in lower-income households, and impact lower-income renters more than any other group (HCD, 1999).

The American Housing Survey of select California metropolitan areas showed that overcrowding had increased by about 13 percent for the period 1989-1995. However, overcrowding among renters went up by over 20 percent, while overcrowding among owners, decreased by 6.7 percent. Metropolitan areas surveyed in the Bay Area (which include San Francisco/Oakland and San Jose) show less severe overcrowding than other metropolitan survey areas in California although San Jose showed a significant increase in overcrowded renter-occupied units in the period 1992-1996 (HCD, 1999).

Increased Commute Times and Distances

Since housing prices generally conform to some form of declining price gradient, a typical effect of underproduction is for prices to be lower at the fringes of an area. This generates a jobs-housing imbalance and substantially longer commute times for workers moving further out from job centers in search of affordable housing.

The dispersed development patterns that result will mean a 10 percent increase in average travel time to work in the period 1990-2020, and an estimated 249 percent increase in congestion measured as average daily vehicle hours of delay from 105,000 hours in 1990 to an estimated 366,000 in 2020 (Metropolitan Transportation Commission, 1999).

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Chapter II

Housing Needs Determinations

***Regional Housing Needs Determination
Association of Bay Area Governments***

A. Statutory Requirements

California government code section 65584(a) requires ABAG to distribute the state identified regional housing need allocation to each jurisdiction within the Bay Area region. This section of the code contains a set of guidelines that ABAG must follow when developing the methodology to distribute the state identified regional housing need allocation. These guidelines include two principle components, which are: (1) A region-wide share of the state's Housing Unit goals- determined by HCD, and (2) planning considerations that the methodology must incorporate when determining the distribution of need each jurisdiction in the region will receive.

Methodology Requirements

Region-Wide Share of State Housing Unit Goals

HCD is the state agency responsible for determining the San Francisco Bay Area's region wide share of the estimated statewide housing need for the period of January 1999 through December 2006. The regional numbers supplied by HCD are "goal numbers," and often exceed anticipated growth in housing units cities and counties expect. The methodology used to determine the statewide need, and each region's share of that need, incorporates factors such as vacancy rates, potential growth rates (population, jobs, household formation rates) and demolition of existing housing stock. Both existing and projected need is included in the State's projection of housing need.

HCD & ABAG ABAG's share of the statewide housing need is provided in the form of a regional allocation of units (230,743) which is divided by income distribution (very-low, low, moderate and above-moderate). ABAG is required to distribute this number to Bay Area jurisdictions based upon a methodology which is developed independent of the one used by HCD to determine statewide housing goals.

Each city and county in the ABAG region must plan for the level of growth assigned by this process, in the update of their respective General Plan Housing Elements.

Guidelines and Planning Considerations

It is ABAG's responsibility to determine the share of the state identified housing need for each city and county within the Bay Area region. That share includes the housing needs of persons at all income levels within the area significantly affected by a general plan of the city or county. This determination must take into account the following planning considerations:

- Market demand for housing
- Employment opportunities
- Availability of suitable sites and public facilities
- Commuting patterns
- Type and tenure of housing need
- Loss of units contained in assisted housing developments, that changed to non-low-income use
- Special Needs Housing requirements

The government code also requires that the distribution of regional housing needs "...seek to reduce the concentration of lower income households in cities or counties which already have disproportionately high proportions of low income households."

The creation of the methodology is essentially ABAG's responsibility, working in coordination with HCD. ABAG is required to provide HCD, along with each city and county in the region, data describing the assumptions and methodology used in calculating the shares of regional housing need. Once ABAG has determined each city and county's share of the regional housing need, HCD may revise the determination to maintain consistency with the statewide housing need. HCD has reviewed and accepted ABAG's RHND program and methodology without comment.

Chapter 11

The following section describes the assumptions and methods used by ABAG to meet the statutory requirements defined by the state.

Market Demand for Housing

State law requires that an assessment of the region's housing market be performed when conducting the RHND analysis. This information can best be analyzed and presented locally in each jurisdiction's updated housing element. ABAG has relied on the *Projections 2000* forecasts for population, employment and households to determine the RHND allocations for each jurisdiction. The realized demand for housing can be ascertained by analyzing growth projections contained in the *Projections 2000* document. ABAG's forecast considers fertility rates, births, deaths, migration, household size and labor force participation rates, as well as local jurisdictional input, all of which dramatically affects the rate of household formation, and subsequently the housing need associated with this growth.

The region's current housing stock will have to increase substantially to meet the future housing needs of the region's burgeoning population. Between 2000 and 2010, ABAG's forecast shows that the region's population will grow by 251,300 persons to a total population of 7,631,400. ABAG's RHND methodology addresses future housing demand by considering each jurisdiction's share of the region's household and employment growth. This method ensures that future housing demand is met by assigning housing unit allocations in areas where growth is expected to occur.

Employment Opportunities

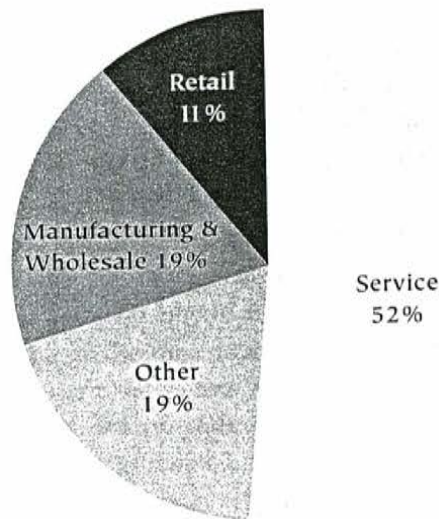
State law requires that ABAG consider employment patterns when determining the distribution of RHND allocations for jurisdictions in the region. ABAG's *Projections 2000* forecast contains the employment potential for each of the region's jurisdictions to the year 2020. *Projections 2000* indicates that the region will

add nearly a million new jobs over the next twenty years. Over 50 percent of these jobs will be in the services sector (business and professional, health and recreation, social and personal), while the manufacturing and wholesale sectors will comprise 19 percent of the new work force. Retail jobs will include another 11 percent with the remaining 19 percent of jobs being comprised of a variety of professions (ranging from communications, insurance and real estate to construction and transportation).

The most significant job growth will be in Santa Clara County (231,000), followed by Alameda (219,550), Contra Costa (140,590), San Francisco (102,800), Sonoma (95,580), Solano (81,270), San Mateo (71,460), Napa (30,110) and Marin (27,000) counties.

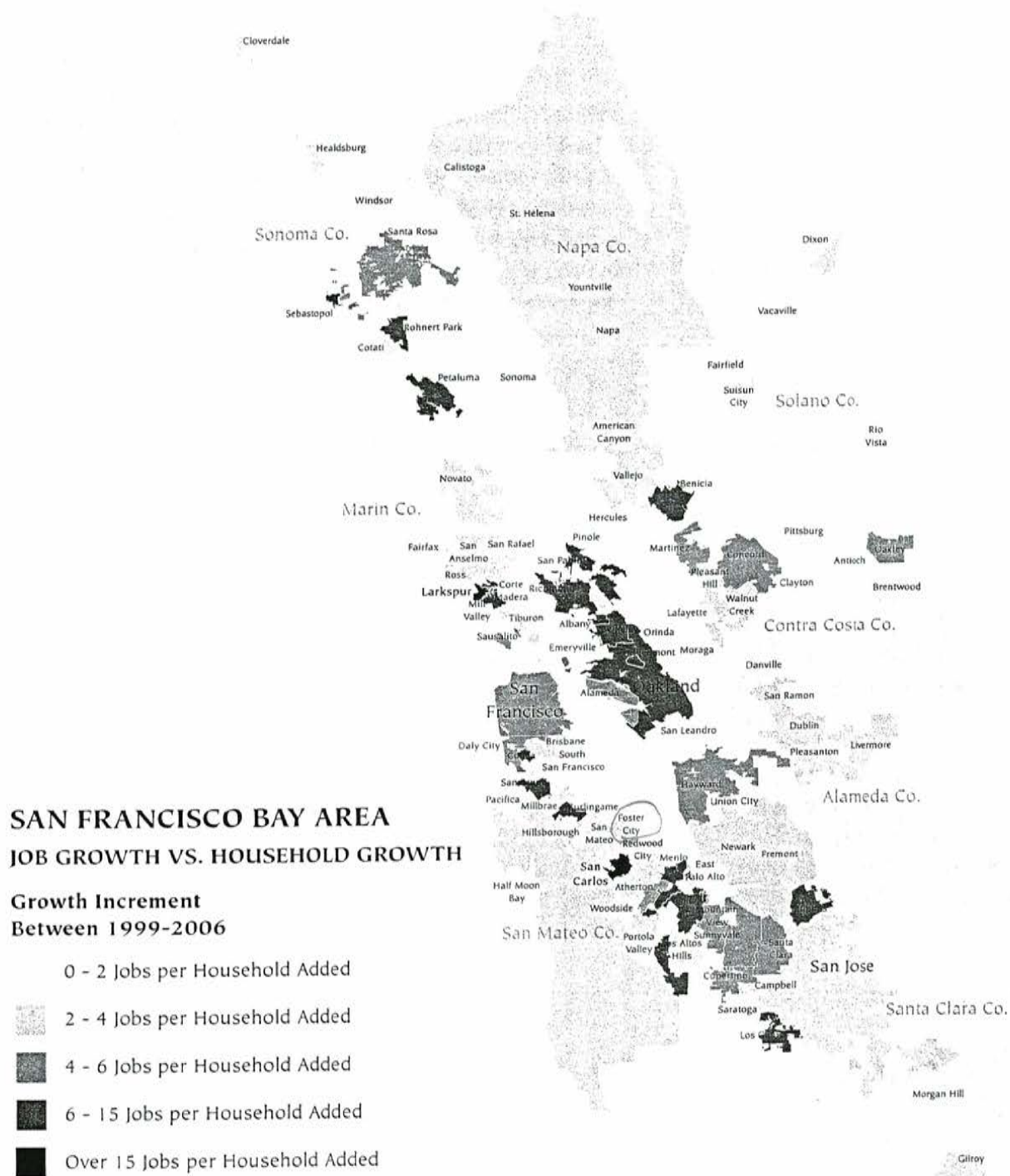
The region's current housing stock will need to increase substantially to meet the future demand of the region's burgeoning population.

Figure 13. Job Demand by Sector



"Other" includes construction, transportation, communications, utilities, finance, insurance, real estate and government, including national security

Figure 14.



During the 1999-2006 RHND time frame, ABAG expects that 422,754 jobs and 177,318 households will be added in the region—a ratio of 2.38 jobs/household. The region's jobs/household ratio in 2000 was approximately 1.45 and in 2010 it will be 1.51. Conventional planning practice suggests that a jobs/housing ratio should be 1.5. While the number of jobs in relation to housing units being added to the region would indicate that we are moving towards a healthy jobs/housing ratio, a closer examination of the disparities of job growth among the region's cities and counties suggests a completely different story.

During the 1999-2006 RHND time frame, many jurisdictions will expect job growth to significantly outpace household growth. For example, the City of San Carlos is planning 19 jobs for every one housing unit added. Many of these jurisdictions have historically had a jobs/household ratio well above the regional average. Another common trait shared by jurisdictions with exceptional job growth is that their housing related costs are among the highest in the region.

While these jurisdictions maintain the ability to attract business at an increased pace, by not producing housing, workers are forced to endure lengthy commutes from the region's outlying areas—where housing production typically outpaces job growth.

The RHND methodology addresses this issue directly by shifting a larger share of the RHND allocations towards jurisdictions that are planning significant job growth during the RHND time frame. While this action may not directly result in an immediate reconciliation of the jobs/housing relationship in the region, it does move the region closer in this direction.

The *Projections 2000* forecast indicates that local government land use policies—which encourage job growth over household growth—may limit the region's labor supply. Table 2 compares expected job growth with expected growth in employed residents for each of the region's major transportation corridors between 2000 and 2020. The region's projected increase in jobs exceeds projected growth of employed residents by 99,060 individuals for the Bay Area. The Peninsula Corridor (San Francisco and San Mateo counties) has the most serious imbalance of jobs to labor supply growth.

During the 1999-2006 RHND time frame, ABAG expects that 422,754 jobs and 177,318 households will be added in the region—a ratio of 2.38 jobs/household.

The Peninsula Corridor (San Francisco and San Mateo counties) has the most serious imbalance of jobs to labor supply growth.

Table 2. Labor Supply and Job Growth along Transportation Corridors in the Bay Area, 2000-2020

Transportation Corridor	Population Growth	Household Growth	Employed Resident Growth	Job Growth	Labor Deficit/ Surplus
I-680 Corridor	159,800	58,700	118,800	128,410	(9,610)
Highway 4 Corridor	119,200	42,300	73,900	55,360	18,540
I-80 North Corridor	175,400	61,340	118,200	111,380	6,820
I-80 Central Corridor	27,700	9,650	22,800	24,750	(1,950)
I-80 South/ Highway 24 Corridor	52,800	11,890	58,700	72,470	(13,770)
I-880 South Corridor	76,600	23,550	66,500	79,150	(12,650)
Highway 101 Corridor North	140,900	56,240	108,300	122,580	(14,280)
Peninsula Corridor	82,500	40,050	124,000	174,260	(50,260)
Silicon Valley North Corridor	233,800	86,930	190,400	202,010	(11,610)
Silicon Valley South Corridor	27,600	10,920	18,700	28,990	(10,290)
Region	1,096,300	401,570	900,300	999,360	(99,060)

Source: December 1999, ABAG *Projections 2000*

Existing land use policies that continue to expand job growth without commensurate household growth will force the labor supply to be imported from outside the nine-county Bay Area region. This places a strain on the region's economic health, as well as its transportation system. Increasing the region's housing stock, especially in areas closer to where jobs are produced, will help to sustain the economic prosperity the Bay Area has enjoyed for the past decade.

It is clear that ABAG's *Projections 2000* forecast identifies an employment growth for jurisdictions that far exceeds the necessary household growth available under existing residential land use policies. The cause of this trend relates directly to local land use policies and development practices that focuses attention on job producing uses without equal emphasis on housing production.

While it may be said that the tax and fiscal policies of the state hamper local governments' ability to support residential growth, continuing reliance upon the sales tax revenue generating activities that job growth induces will begin to stymie the very economic growth jurisdictions seek. If this trend continues without public policy intervention

that creates housing opportunities nearer to where jobs are being produced, the associated long-term impacts will have a severe impact on the region's economic health as well as the environment.

The region also faces an issue relating to the type of jobs being created and the incomes associated with those jobs. Increased job growth in sectors such as the retail and service industries typically do not command wages that match the housing costs associated with the housing market in several jurisdictions throughout the region. Workers in high tech industries, where wages are typically much higher, have driven the cost of housing up, far beyond the incomes of workers in the service and retail sectors. This issue, coupled with the severe deficit in housing production for the region, adds to the housing crisis.

Availability of Suitable Sites and Public Facilities

ABAG's *Projections 2000* forecast considers land available for residential development as well as its related infrastructure constraints. Data is collected on current land use and development policies of local governments prior to the development of ABAG's forecast. Local development policies include general and specific plans, local zoning practices, moratoriums related to sewer and water infrastructure constraints, building permit allocation measures and growth initiatives.

The data collected represents the supply of vacant and re-developable land available for future household and employment growth. The available land supply incorporates local policy information regarding where and when residential, commercial, industrial and institutional development activities could occur. The ABAG modeling system estimates how much of this available land will be needed to accommodate ABAG's growth projections. This data is also used to direct allocations of household and employment growth to smaller geographic areas.

Table 3. Land Available for Development: 1995-2020 (1,000s of acres)

Available Land Area by Type (Gross Acres)

County	Total Area	Available Total	Residential	Commercial Industrial	Percent Available
Alameda	473.3	35.4	22.2	12.8	7.5
Contra Costa	462.0	43.7	34.8	8.9	9.5
Marin	332.7	18.9	13.2	2.7	5.7
Napa	481.2	11.1	8.4	2.7	2.3
San Francisco	29.8	2.1	0.8	1.3	7.0
San Mateo	285.3	21.9	15.9	6.0	7.7
Santa Clara	825.8	33.9	23.7	9.6	4.1
Solano	533.0	33.6	19.0	14.6	6.3
Sonoma	1,013.4	69.9	67.5	2.4	6.9
Region	4,436.5	270.4	205.4	60.9	6.1

Source: ABAG Local Development Policy Survey database

The land available for residential development is mainly vacant, but includes some developed land with potential for reuse. Although ABAG's local policy survey database uses a minimum density of one unit per ten acres, residential densities are typically at least one unit per five acres. Lower density rural residential areas are found mainly in Marin, San Mateo and Sonoma Counties. Some land is designated "mixed use," permitting a combination of uses such as commercial on the ground floor with residential above.

The available acres identified represent a conservative estimate of the actual land supply. ABAG's database underestimates the potential for the reuse or intensification of developed land. The underestimation applies especially to primarily urbanized communities, including San Francisco, Oakland, and San Jose.

Table 4 compares development potential with projected household growth in the region. It illustrates that ABAG's forecast, especially for residential development, could be constrained by the supply of land available under current land use patterns and zoning regulations.

However, an opinion issued by the California Attorney General's office in 1987 suggests that "...The availability of suitable housing sites must be considered based not only upon the *existing* zoning ordinances and land use restrictions of the locality but also based upon the *potential* for increased residential development under *alternative zoning ordinances* and land use restrictions [emphasis added]." The opinion also states that "...current zoning ordinances and land use restrictions [may not] limit the availability of suitable sites." It further states that "The planning process contemplates an identification of adequate sites that could be made available through different policies and development standards."

While ABAG's regional forecast may exceed the residential development capacity of existing plans, State Housing Element Law encourages jurisdictions to develop alternative land use policies, such as increasing densities in already urbanized areas, that could accommodate the additional growth determined by the RHND process.

"...The availability of suitable housing sites must be considered based not only upon the existing zoning ordinances and land use restrictions of the locality but also based upon the potential for increased residential development under alternative zoning ordinances and land use restrictions "

Table 4. Housing Unit Supply and Projected Household Growth: 1995-2020

County	Total Unconstrained Unit Potential	Projected New Households	Projected New Households
Alameda	84,590	88,250	(3,660)
Contra Costa	111,320	100,500	10,820
Marin	17,890	14,320	3,570
Napa	13,000	14,640	(1,640)
San Francisco	55,020	21,850	33,170
San Mateo	24,500	32,040	(7,540)
Santa Clara	90,850	126,030	(35,180)
Solano	55,990	57,480	(1,490)
Sonoma	50,200	54,830	(4,630)
Region	503,360	509,940	(6,580)

Source: ABAG Local Development Policy Survey database

State Housing Element Law encourages jurisdictions to develop alternative land use policies that could accommodate the additional growth determined by the RHND process

Commuting Patterns

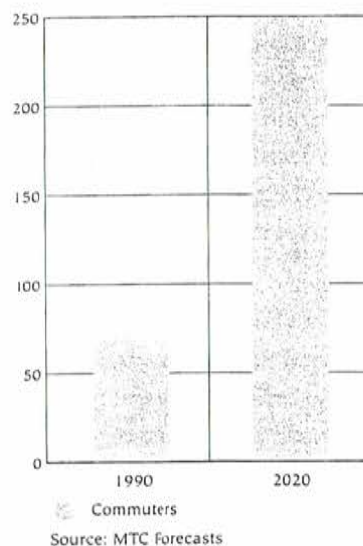
ABAG's forecast for household and employment growth considers commuting patterns as a function of residential and employment choices in its Projective Optimization Land Use Information System (POLIS) model. The model allocates households and employment by considering such factors as commuting flows by mode (automobile and transit) and incorporating several assumptions related to residential and employment choices. These interactions and assumptions are described fully in Appendix D, Overview of the Projections Modeling System.

The assumed additions or changes to transportation facilities and services were drawn from MTC's Regional Transportation Plan. The transportation network is incorporated at a regional level and does not include detailed information on local transportation changes and improvements. The highway and transit system assumptions are translated into estimates of peak period service levels by transportation facility mode. Level-of-service estimates are in turn translated into estimates of travel time between locations. These measures of accessibility become key factors in projecting housing as well as job locations.

In general, the effect of "commuting patterns" in the RHND process can be measured by comparing the differences between job growth and the availability of labor supply (households) within the region. As mentioned earlier, jurisdictions' employment growth far exceeds household growth that is available under existing residential land use policies. This is caused by local land use policies and development practices that focus on job producing uses without sufficient emphasis being placed on housing production. Thus, the necessary labor supply that is needed within the nine-county Bay Area region must be met by in-commuting workers.

According to MTC, many more Bay Area workers will live outside the Bay Area. San Joaquin and Sacramento counties both already contain major residential areas from which workers travel to large Bay Area employment centers such as the Silicon Valley and the Tri Valley cities which include San Ramon, Dublin and Pleasanton. In 1990, the average daily inter-regional vehicle miles traveled was 14,065. By 2020, this figure will grow to 30,201—an increase of 115 percent.

Figure 15. In-Commuting



Reducing the gap between employment and household growth may reduce the impacts associated with inter-regional commuting patterns. However, equal importance should also be placed upon the creation of jobs closer to residential areas. In part, the RHND allocations meet these goals by assigning more housing to jurisdictions that are planning increased employment growth, which creates more housing opportunities in areas close to job production. The RHND allocations also serve to reduce the impacts associated with increased housing market costs in areas of high employment growth, while providing an adequate labor supply to sustain the Bay Area's economy, and reduce the growth in long-distance commuting that affects air quality and other environmental resources.

Type and Tenure of Housing

State law requires that the type of housing (i.e., single- and multiple-family and mobile homes) and tenure of housing (i.e., owner and renter), be considered when making the RHND allocations. The Bay Area's regional housing market is very diverse, thus making it extremely difficult to develop factors that can be used to equitably allocate housing need among the jurisdictions in the region within the required timeframe given to ABAG to perform the RHND distribution. However, consideration of these factors is essential to planning for the distribution of housing that will meet the needs each jurisdiction's residents. Therefore, this criterion of State Housing Element Law is best presented in each jurisdiction's updated housing elements, reflecting the needs of the local housing market more accurately.

The most up to date information related to type of housing can be obtained from the state DOF Population and Housing estimates contained in the E-5 report. The latest and most complete information related to tenure of housing can be obtained from the 1990 Federal Census. While Census 2000 was recently completed, the data representing the detailed analysis for housing characteristics (Summary File 3) will not be available until the summer of 2002--well after the December 31, 2001, due date for updated housing elements to be submitted to HCD.

Special Needs Housing

State Housing Element Law requires that the housing needs of homeless people, seniors, disabled individuals, female-headed households and farmworker households be considered when preparing the RHND determinations for the region. ABAG does not maintain data that represents an accurate assessment of the special needs population for each jurisdiction in the region.

Due to the limited time and resources available to prepare the RHND responsibilities for each city and county in the region, it was not feasible to conduct a region wide study to assess the housing needs of this portion of the population. While data describing the characteristics of the special needs population does exist for several jurisdictions in the region, access to data representing the breadth of the region's special needs population is unfortunately, unavailable on a region-wide basis. Furthermore, the data sets that are available cannot be applied equally in a methodology that seeks to fairly distribute each jurisdiction's fair share housing needs responsibilities. Therefore, it is impractical to include the limited data that is available in the RHND methodology to determine the specific special needs housing responsibilities for each city and county in the region.

Each city and county in the region has access to data and resources that can be used to identify the housing opportunities for the special needs population in their respective jurisdictions. Therefore, the analysis of special needs housing is best represented in each jurisdiction's housing elements. For the purposes of this RHND process, the housing needs of the region's special needs population is considered a part of the total RHND allocation assignment determined by ABAG. Each city and county in the region must identify a portion of its total RHND allocation assignment to meet the demand for housing of persons with special needs.

To assist local governments with this task, ABAG has released a document entitled Blueprint 2001 for Bay Area Housing, which contains a comprehensive list of programs, strategies and case study examples of successful projects that can be implemented at the local level to address the special housing needs of certain groups. Blueprint 2001 suggests possible sources of data on persons with special housing needs, which local governments can use to update its general plan housing elements.

Existing and Projected Housing Needs

State law requires ABAG to consider the existing and projected housing needs for each jurisdiction in the region. In past regional housing needs studies, ABAG designed a methodology that separated existing need from total projected need. This methodology determined existing need by identifying a regional vacancy rate goal and then compared this figure with each jurisdiction's existing vacancy rate. The difference in housing units needed to meet the identified regional goal vacancy rate are considered "existing need."

HCD's determination of the housing need considers existing vacancy rates when calculating total projected need for the region. HCD's total projected need for the region is 230,743 housing units. ABAG's *Projections 2000* forecast identifies the potential for 185,823 housing units to be added during the RHND timeframe. The difference between these numbers (44,920) represents the existing need for the region. In an effort to simplify the RHND methodology, ABAG considers existing need to be a part of the total projected need assigned to the region by HCD. Each city and county in the region must identify a portion of its total projected need as existing housing needs for its residents in the update of their respective General Plan Housing Elements.

Affordable Rental Housing At Risk of Conversion

According to State Housing Element Law, cities and counties should identify all federal, state, and local subsidized housing in the community, note when the subsidies expire, and determine the cost of replacing that housing. The updated Statewide Housing Plan, prepared by HCD, lists 576 projects with a total of 41,588 units as "At Risk" of being converted from affordable housing stock reserved for primarily low-income families, to market-rate housing.

The expiration of housing subsidies in the Bay Area is a major threat to the limited supply of affordable housing available to low-income families and individuals.

ABAG has released *Blueprint 2001 for Bay Area Housing*, which contains a comprehensive listing of programs and strategies that local governments can implement to ensure the continued availability of affordable housing in the region. In addition, recent changes in State Housing Element Law make it possible for local governments to receive up to 25 percent credit towards meeting its housing needs responsibilities through the implementation of strategies and programs that extend the life of "At Risk" affordable housing.

Consideration of Income Levels

State law requires that ABAG consider the need for housing across the breadth of income levels in the region. The law defines this as "...the share of the housing needs of persons at all income levels within the area significantly affected by the jurisdiction's general plan." The law further requires that the distribution of housing needs "...seek to avoid further impactation of localities with relatively high proportions of lower income households." State law does not however define a method for accomplishing this task.

The most widely used definitions of income categories are those used by HUD to determine eligibility for federal housing assistance. Section 6932 of Title 25 of the California Administrative Code sets forth the income limits used by HCD, which are primarily based upon the HUD income limits.

To determine each city and county's housing needs by income category, ABAG has used the HUD definitions of income categories, as defined below.

Income Categories

Very-low: Those households with income up to 50% of the county's area median income.

Low: Those households with income between 50 and 80% of the county's area median income. < 20,797
< 33,276

Moderate: Those households with income between 80 and 120% of the county's area median income. 33,277 - 49,914

Above-moderate: Those households with income above 120% of the county's area median income. > 49,914

ABAG used the 1989 income distribution of households for each city, county and the region, as reported by the 1990 Census. The income categories defined in Sections 6910-6932 of the California Administrative Code are used, in accordance with the interpretation of the California Attorney General's Opinion 87-206.

The 1990 Census reports a 1989 median household income for the region as \$41,595. Therefore, a household with an income of \$20,797 or less would be classified as very low. A household with an income from \$20,798 to \$33,276 would be classified as low income. A household with an income from \$33,277 to \$49,914 would be classified as moderate income. A household with an income greater than \$49,914 would be classified as above moderate. These income limits were used to estimate the proportion of households in each jurisdiction in the Bay Area in the four income categories.

For the region, 20.5 percent of the households are very-low income, 10.9 percent are low income, 26.4 percent are moderate income, and 42.3 percent are above-moderate income. ABAG, in making its determinations of housing need, has shifted each jurisdiction's 1990 income percentages, as determined by the Census, 50 percent towards the regional averages. This method promotes an equitable distribution of housing opportunities for each income group within the Region. Furthermore, this method meets the goals of state law "...to seek to avoid further impaction" of existing localities with higher proportions of lower income households.

It is certainly true that over the past ten years, incomes in the region have risen substantially. However, overall, most households in the region with an income that would place them in the above moderate income category still do not make enough money to afford the high housing cost's our region maintains.

The following pages illustrate the total 1999-2006 RHND allocations by income category for each city and county in the Bay Area.

Figure 16.

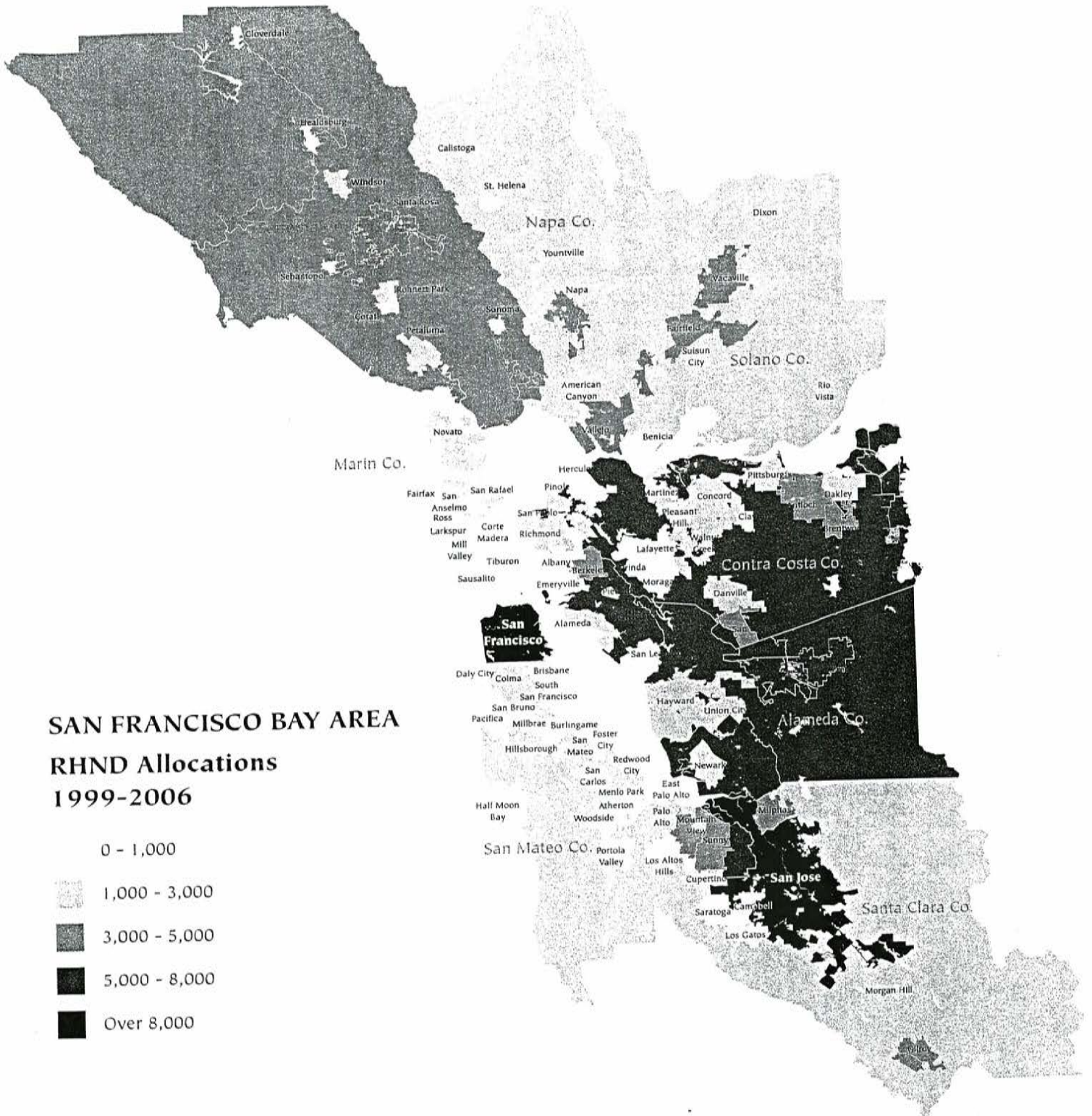


Table 5.
RHND Allocations by Income Category
San Francisco Bay Area Region

Jurisdiction	RHND Allocation	Very Low	Low	Moderate	Above Moderate
ALAMEDA COUNTY	46,793	9,910	5,138	12,476	19,269
CONTRA COSTA COUNTY	34,710	6,481	3,741	8,551	15,937
MARIN COUNTY	6,515	1,241	618	1,726	2,930
NAPA COUNTY	7,063	1,434	1,019	1,775	2,835
SAN FRANCISCO CITY/COUNTY	20,372	5,244	2,126	5,639	7,363
SAN MATEO COUNTY	16,305	3,214	1,567	4,305	7,219
SANTA CLARA COUNTY	57,991	11,496	5,209	15,870	25,416
SOLANO COUNTY	18,681	3,697	2,638	4,761	7,585
SONOMA COUNTY	22,313	4,411	3,029	5,879	8,994
REGIONAL TOTAL	230,743	47,128	25,085	60,982	97,548

Table 6.

**RHND Allocations by Income Category
Alameda County and Cities**

Jurisdiction	RHND Allocation	Very Low	Low	Moderate	Above Moderate
ALAMEDA	2,162	443	265	611	843
ALBANY	277	64	33	77	103
BERKELEY	1,269	354	150	310	455
DUBLIN	5,436	796	531	1,441	2,668
EMERYVILLE	777	178	95	226	278
FREMONT	6,708	1,079	636	1,814	3,179
HAYWARD	2,835	625	344	834	1,032
LIVERMORE	5,107	875	482	1,403	2,347
NEWARK	1,250	205	111	347	587
OAKLAND	7,733	2,238	969	1,959	2,567
PIEDMONT	49	6	4	10	29
PLEASANTON	5,059	729	455	1,239	2,636
SAN LEANDRO	870	195	107	251	317
UNION CITY	1,951	338	189	559	865
UNINCORPORATED	5,310	1,785	767	1,395	1,363
Total	46,793	9,910	5,138	12,476	19,269

Table 7.
RHND Allocations by Income Category
Contra Costa County and Cities

Jurisdiction	RHND Allocation	Very Low	Low	Moderate	Above Moderate
ANTIOCH	4,459	921	509	1,156	1,873
BRENTWOOD	4,073	906	476	958	1,733
CLAYTON	446	55	33	84	274
CONCORD	2,319	453	273	606	987
DANVILLE	1,110	140	88	216	666
EL CERRITO	185	37	23	48	77
HERCULES	792	101	62	195	434
LAFAYETTE	194	30	17	42	105
MARTINEZ	1,341	248	139	341	613
MORAGA	214	32	17	45	120
OAKLEY	1,208	209	125	321	553
ORINDA	221	31	18	43	129
PINOLE	288	48	35	74	131
PITTSBURG	2,513	534	296	696	987
PLEASANT HILL	714	129	79	175	331
RICHMOND	2,603	471	273	625	1,234
SAN PABLO	494	147	69	123	155
SAN RAMON	4,447	599	372	984	2,492
WALNUT CREEK	1,653	289	195	418	751
UNINCORPORATED	5,436	1,101	642	1,401	2,292
Total	34,710	6,481	3,741	8,551	15,937

Table 8.
RHND Allocations by Income Category
Marin County and Cities

Jurisdiction	RHND Allocation	Very Low	Low	Moderate	Above Moderate
BELVEDERE	10	1	1	2	6
CORTE MADERA	179	29	17	46	87
FAIRFAX	64	12	7	19	26
LARKSPUR	303	56	29	85	133
MILL VALLEY	225	40	21	56	108
NOVATO	2,582	476	242	734	1,130
ROSS	21	3	2	5	11
SAN ANSELMO	149	32	13	39	65
SAN RAFAEL	2,090	445	207	562	876
SAUSALITO	207	36	17	50	104
TIBURON	164	26	14	32	92
UNINCORPORATED	521	85	48	96	292
Total	6,515	1,241	618	1,726	2,930

Table 9.
RHND Allocations by Income Category
Napa County and Cities

Jurisdiction	RHND Allocation	Very Low	Low	Moderate	Above Moderate
AMERICAN CANYON	1,323	230	181	353	559
CALISTOGA	173	44	31	41	57
NAPA	3,369	703	500	859	1,307
ST. HELENA	142	31	20	36	55
YOUNTVILLE	87	21	15	20	31
UNINCORPORATED	1,969	405	272	466	826
Total	7,063	1,434	1,019	1,775	2,835

Table 10.
RHND Allocations by Income Category
San Francisco City/ County

Jurisdiction	RHND Allocation	Very Low	Low	Moderate	Above Moderate
SAN FRANCISCO	20,372	5,244	2,126	5,639	7,363

Table 11.

**RHND Allocations by Income Category
San Mateo County and Cities**

Jurisdiction	RHND Allocation	Very Low	Low	Moderate	Above Moderate
ATHERTON	166	22	10	27	107
BELMONT	317	57	30	80	150
BRISBANE	426	107	43	112	164
BURLINGAME	565	110	56	157	242
COLMA	74	17	8	21	28
DALY CITY	1,391	282	139	392	578
EAST PALO ALTO	1,282	358	148	349	427
FOSTER CITY	690	96	53	166	375
HALF MOON BAY	458	86	42	104	226
HILLSBOROUGH	84	11	5	14	54
MENLO PARK	982	184	90	245	463
MILLBRAE	343	67	32	90	154
PACIFICA	666	120	60	181	305
PORTOLA VALLEY	82	13	5	13	51
REDWOOD CITY	2,544	534	256	660	1,094
SAN BRUNO	378	72	39	110	157
SAN CARLOS	368	65	32	89	182
SAN MATEO	2,437	479	239	673	1,046
SOUTH SAN FRANCISCO	1,331	277	131	360	563
WOODSIDE	41	5	3	8	25
UNINCORPORATED	1,680	252	146	454	828
Total	16,305	3,214	1,567	4,305	7,219

Table 12.

RHND Allocations by Income Category
Santa Clara County and Cities

Jurisdiction	RHND Allocation	Very Low	Low	Moderate	Above Moderate
CAMPBELL	777	165	77	214	321
CUPERTINO	2,720	412	198	644	1,466
GILROY	3,746	906	334	1,030	1,476
LOS ALTOS	261	38	20	56	147
LOS ALTOS HILLS	83	10	5	15	53
LOS GATOS	402	72	35	97	198
MILPITAS	4,348	698	351	1,146	2,153
MONTE SERENO	76	10	5	13	48
MORGAN HILL	2,484	455	228	615	1,186
MOUNTAIN VIEW	3,423	698	331	991	1,403
PALO ALTO	1,397	265	116	343	673
SAN JOSE	26,114	5,337	2,364	7,086	11,327
SANTA CLARA	6,339	1,294	590	1,786	2,669
SARATOGA	539	75	36	108	320
SUNNYVALE	3,836	736	361	1,075	1,664
UNINCORPORATED	1,446	325	158	651	312
Total	57,991	11,496	5,209	15,870	25,416

Table 13.

RHND Allocations by Income Category
Solano County and Cities

Jurisdiction	RHND Allocation	Very Low	Low	Moderate	Above Moderate
BENICIA	413	70	49	90	204
DIXON	1,464	268	237	379	580
FAIRFIELD	3,812	761	573	972	1,506
RIO VISTA	1,391	357	190	342	502
SUISUN CITY	1,004	191	123	256	434
VACAVILLE	4,636	860	629	1,172	1,975
VALLEJO	3,242	690	474	779	1,299
UNINCORPORATED	2,719	500	363	771	1,085
Total	18,681	3,697	2,638	4,761	7,585

Table 14.

RHND Allocations by Income Category
Sonoma County and Cities

Jurisdiction	RHND Allocation	Very Low	Low	Moderate	Above Moderate
CLOVERDALE	423	95	51	128	149
COTATI	567	113	63	166	225
HEALDSBURG	573	112	78	171	212
PETALUMA	1,144	206	124	312	502
ROHNERT PARK	2,124	401	270	597	856
SANTA ROSA	7,654	1,539	970	2,120	3,025
SEBASTOPOL	274	58	35	75	106
SONOMA	684	146	90	188	260
WINDSOR	2,071	430	232	559	850
UNINCORPORATED	6,799	1,311	1,116	1,563	2,809
Total	22,313	4,411	3,029	5,879	8,994

B. Changes in State Housing Element Law Since 1989 RHND Process

The 1998-99 state fiscal budget reinstated the funding which supports the state mandated housing element update process in California. Cities and counties throughout California are once again required to update housing elements based upon the statewide housing goals established by HCD. Jurisdictions in the Bay Area region must update housing elements by December 31, 2001. Since ABAG's last RHND process, state legislators introduced legislation (Assembly Bill 438) that modified Housing Element law significantly.

Assembly Bill 438 (Torlakson, D-Antioch)

State Housing Element law requires city and county planning agencies to provide an annual report to the legislative body on its progress in meeting their share of the statewide housing goals, as determined by the RHND process. A report must be provided to the legislative body, on or before July 1 of each year, using forms and definitions adopted by HCD pursuant to the Administrative Procedure Act. Assembly Bill 438 requires this annual report to also be provided to the Office of Planning and Research as well as HCD.

Assembly Bill 438 sets forth a process that allows each COG to provide a sub-region with its share of the regional housing need. COGs can delegate the responsibility of determining RHND allocations for cities and counties within a sub-region according to a prescribed agreement established between the COG and sub-regional entity.

The most significant change introduced by Assembly Bill 438 addresses concerns raised by cities and counties which suggests that State Housing Element Law focuses too narrowly on construction of new housing units by not considering the rehabilitation of substandard housing units, and efforts to make market rate housing affordable to low income households, as contributing to housing goals established by state law.

Assembly Bill 438 established a procedure that allows a city or county to receive credit for up to 25 percent of its RHND allocation assignments by (1) rehabilitating existing substandard units, (2) purchasing affordability covenants to "buy down" market rate units for the benefit of low-income households, or (3) preserving the affordability of subsidized units at risk of conversion to market-rate status due to the expiration or termination of subsidy contracts. This bill established specific rules and guidelines that must be followed by cities and counties in order for credit to be rewarded. See Appendix C, Assembly Bill 438 (Torlakson, D-Antioch).

C. Methodology Explanation

This section explains ABAG's RHND methodology. It includes a description of the components used in the methodology to distribute the state identified housing need.

ABAG's RHND Methodology

The ABAG Executive Board established an advisory committee—Housing Methodology Committee—to develop the RHND methodology. This committee's primary purpose was to develop an appropriate methodology that both incorporates the planning considerations established in State Housing Element Law, and seeks to fairly distribute the State assigned Regional Housing Needs Allocation to cities and counties in the ABAG region. To accomplish this task, the committee established a set of goals that the methodology should address, as described below.

Methodology Goals

- One:** Growth should be based upon current city boundaries, as opposed to sphere of influence boundaries, when determining RHND allocations
- Two:** Address over and under-concentration of low income housing throughout the region
- Three:** Use the most recent, available, and up to date data source for total number of households in 1999 (1999 DOF E-5 report)
- Four:** Use *Projections 2000* to determine growth
- Five:** Address State Housing Element Law requirements
- Six:** Incorporate ABAG's "Smart Growth" policies
- Seven:** Methodology calculation should be simple, easy to understand and explain

Executive Board Policy Directives

The ABAG Executive Board issued several policy directives in order to ensure that the goals identified by the Housing Methodology Committee were implemented in the RHND methodology. These directives are identified below.

Policy Directives

- One:** Incorporate a 50% jobs/ 50% household weighted ratio in the RHND methodology to address the jobs/ housing issues in the region.
- Two:** Assign 75% of the unincorporated SOI allocations to the cities, and 25% to the counties in order to promote development in urbanized areas rather than on unincorporated lands.
- Three:** Establish guidelines that allow jurisdictions to re-distribute the RHND allocations on a county-wide basis during the 90-day Review and Revision Period.

Methodology Components

To address these goals and directives, the RHND methodology was based upon each jurisdiction's share of regional household and employment growth. This growth is based upon each jurisdiction's current city boundaries. The combination of regional shares of household and employment growth were applied in a methodology calculation that assigns housing need based upon the share of the proportional amount of household and employment growth each jurisdiction would have during the 1999-2006 RHND time frame.

ABAG's RHND methodology is comprised of five components; (1) Household growth, (2) Employment growth, (3) Employment (jobs)/ household ratio adjustment, (4) Sphere of Influence allocations adjustment, (5) Income Distribution calculation. A detailed description of the RHND methodology and its components is discussed on the following pages.

ABAG has developed a methodology that considers household and employment growth as determinants for assigning each jurisdiction its RHND allocations. To determine the first component of the methodology (household growth), the methodology uses two primary sources of data, (1) DOF estimate of households in 1999, and (2) ABAG's forecast of households in 2006.

The DOF estimate of households in 1999 reflects the most recent, available, and up to date data source for total number of households in 1999 for the Bay Area region. ABAG's *Projections 2000* document contains a forecast of households for 2006. The methodology uses the DOF estimate of households in 1999 as a baseline starting point and ABAG's forecast of household in 2006 to determine growth during the 1999-2006 time period. The second component used in the methodology (employment growth) is based solely upon ABAG's *Projections 2000* forecast of employment within the Bay Area region.

ABAG's forecast of employment and household growth includes assumptions associated with demographic changes, the availability of housing (supply), personal income, rising housing prices, labor force participation rates, productivity of the workforce, interest rates and other economic indicators such as the Gross Regional Product. For a more detailed discussion of ABAG's forecast process and assumptions, refer to Appendix E.

Methodology Calculation

ABAG's allocation of housing need for each jurisdiction is based upon forecasts of household and employment growth for current city boundaries between 1999-2006. Each jurisdiction's share of regional household and employment growth is applied to ABAG's share of the statewide housing unit goals (230,743) determined by the Department of Housing and Community Development.

The calculation includes the following five components.

1. **Household growth:** Determine jurisdiction's share of regional household growth.
2. **Employment growth:** Determine jurisdiction's share of regional employment growth.
3. **Jobs/housing ratio adjustment:** Input shares of growth in an allocation formula that is applied to the regional housing need number (230,743).
4. **Unincorporated Sphere of Influence allocations adjustment:** Determine the RHND allocation for the unincorporated SOI boundary of each city, then distribute this portion of the RHND allocation, 75% to the cities, and the remaining 25% to the counties.
5. **Income Distribution component:** Divide the total projected need by income category (Very-low, Low, Moderate, Above-moderate).

1. Household Growth Component

The first component of the RHND methodology involves the determination of each jurisdiction's share of household growth in the region. For the purposes of the RHND methodology, household growth is determined by subtracting the DOF estimate of households in 1999 from ABAG's forecast of households in 2006. This household growth is then divided into the total regional household growth, which derives that jurisdiction's share of regional household growth. See Figure 17 below.

Figure 17. Determination of Household Growth

Households 2006	minus	Households 1999	equals	Household Growth HHG	Regional Household Growth RHHG***
$\frac{HHG}{RHHG} = \text{Share of Regional Household Growth (SHHG)}$					

* ABAG *Projections 2000*

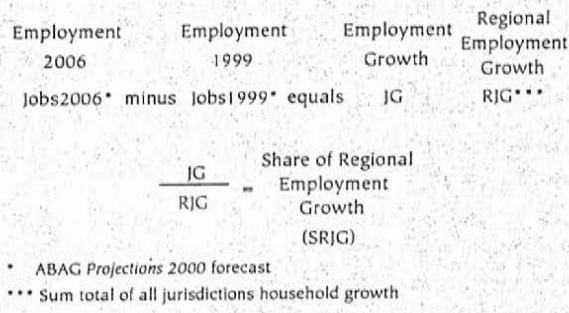
** DOF-January 1999 E-5 Report

*** Regional sum total of jurisdictions household growth

2. Employment Growth Component

The second component of the RHND methodology involves the determination of each jurisdiction's share of employment growth in the region. Employment growth is determined by subtracting ABAG's estimate of employment in 1999 from the 2006 forecast. The jurisdiction's regional share of employment growth is determined by the same method as the regional share of household growth. See Figure 18 below.

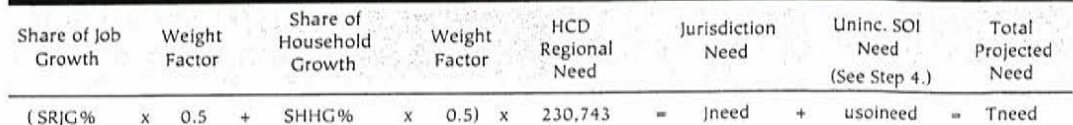
Figure 18. Determination of Employment Growth



3. Employment (Job)/ Household Ratio Adjustment Component (Allocation Formula)

The third component determines each jurisdiction's share of the region wide RHND allocation based upon each jurisdiction's ratio of employment (jobs)/ household growth. Each jurisdiction's share of regional household and employment growth are input into a formula which combines these percentages into a ratio of employment per household which is then applied to the region wide RHND figure (230,743) to determine the jurisdiction's share of the region wide RHND allocation. See Figure 19 below.

Figure 19. Determine the RHND Allocation (Based upon Current City Boundaries)



4. Sphere of Influence Allocations Adjustment Component

The RHND allocations are based upon current city boundaries, excluding those areas in the city's sphere of influence (SOI), outside the current city boundaries. The unincorporated areas of each county have received a RHND allocation which includes those portions of a city's unincorporated sphere of influence, in addition to those areas outside each city's SOI. This method assigns the county unincorporated, mainly non-urbanized areas an RHND allocation that includes part of the growth that is being planned by the cities.

In recognition of ABAG's "Smart Growth" policies which seek to promote development in already urbanized areas, the RHND allocation associated with growth in the unincorporated portions of each city's SOI has been divided among the cities and counties. The amount of housing need associated with the growth in the SOI areas has been calculated, and the subtracted from the unincorporated portions of each jurisdictions. Each city is assigned 75 percent of this portion of the RHND allocation, with the remaining 25 percent being assigned to each county. See Figure 19 below.

The calculation of the RHND allocation attributed to the growth in the unincorporated SOI areas is determined by first separating the geographic areas of growth in the region into three distinct categories. Those categories are as follows:

1. Incorporated areas (inside city jurisdictional boundaries),
2. Unincorporated areas within a county's jurisdictional boundaries and outside any city's jurisdictional boundaries or SOI, jurisdictional boundaries but within its SOI.
3. Unincorporated areas outside a city's jurisdictional boundaries but within its SOI.

The RHND methodology calculation assigns the unincorporated county areas an allocation that includes categories 2 and 3. In order to separate the RHND allocation for these categories, a separate RHND methodology calculation must be performed using the Local Area Formulation Committee (LAFCO) approved SOI boundaries.

ABAG's *Projections 2000* contains a forecast of growth for jurisdictions by city boundary as well as sub-regional study areas (SSA)-equivalent to each jurisdiction's SOI boundary. However, the DOF E-5 report estimate of occupied households in 1999 does not contain estimates for SOI areas.

In order to perform the RHND methodology calculation using the DOF baseline estimate of households in 1999, it is necessary to determine the number of units attributed to the SOI areas in the DOF estimates. This is accomplished by comparing the DOF estimate with the ABAG forecast by SSA. Figure 20 illustrates how the comparison is performed.

Substituting the ABAG sub-regional study area figure and the interpolated DOF baseline figure in the RHND methodology, results in a RHND allocation based upon adopted LAFCO SOI boundaries. The difference of the combined RHND methodology calculations for the current city boundary and LAFCO approved SOI boundaries, determines the RHND allocation associated with the unincorporated SOI areas. See Figure 19, Page 43.

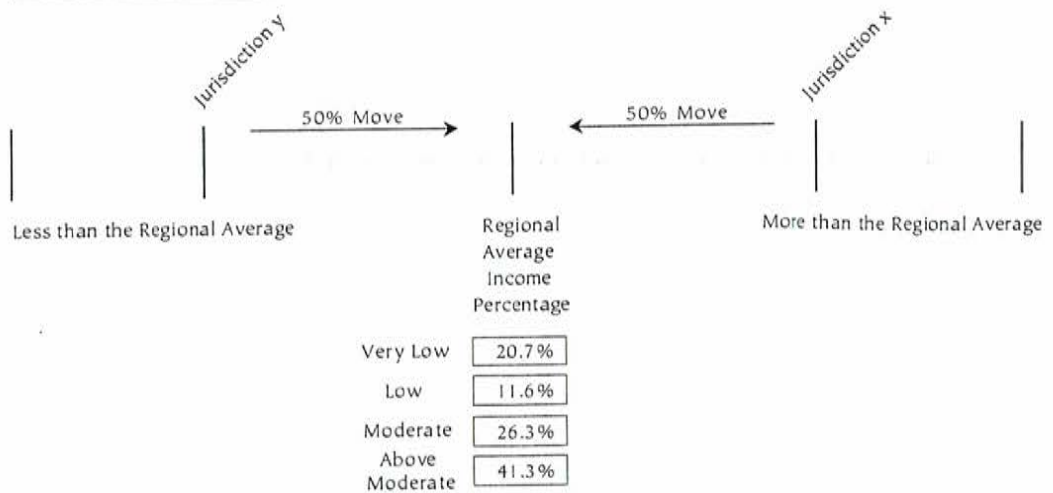
Figure 20. DOF- SOI Determination Formula

$$\text{Interpolated DOF baseline figure representing the SOI} = \text{DOF 1999 baseline figure} + \left(\text{ABAG forecast for sub-regional study areas (SOI)} - \text{ABAG forecast for current city boundaries} \right)$$

5. Income Distribution Component

According to government code, ABAG is required to distribute the total RHND allocation for each jurisdiction by income category (Very-low, Low, Moderate, Above-moderate). Furthermore, ABAG must "...seek to reduce the concentration of lower income households in cities or counties which already have disproportionately high proportions of low income households." ABAG's methodology accomplishes this by shifting each jurisdiction's income distribution as determined by the 1990 Census 50 percent towards the regional average. The distance of each jurisdiction's existing income percentage from the regional average will determine the amount of adjustment applied. See Figure 21 below.

**Figure 21. Income Distribution Method:
Each Jurisdiction Moves 50% Toward the Regional Average**



D. Local Government Review Process

State Housing Element Law establishes a process and schedule for local governments to review the preliminary housing needs determinations made by ABAG, and recommend revisions where appropriate. The review process involves four steps, as follows:

1. Initial determination of preliminary Housing Needs allocations by ABAG.
2. Local review and revision of preliminary Housing Needs allocations.
3. ABAG action on proposed revisions and adoption of final Housing Needs allocations.
4. Opportunity for local government to appeal the final determination of Housing Needs allocations.

Initial Determination of Preliminary Housing Allocations

On June 1, 2000, ABAG released the preliminary RHND allocations for each jurisdiction in the Bay Area. This action initiated the required 90-day review and revision period, which allows jurisdictions to comment, and/or propose revisions to the preliminary RHND allocations.

Review and Revision Period

Bay Area jurisdictions had until August 31, 2000, to submit in writing any proposed revision to the preliminary RHND allocation assignment according to guidelines defined in Government Code, section 65584(a). Proposed revisions must be based upon available data and an accepted planning methodology, as well as be supported by adequate documentation that includes an analysis of the factors and circumstances, which justify revising the preliminary RHND allocations.

ABAG Action on Proposed Revisions

After the 90-day Review and Revision period, ABAG has 60 days to respond to each jurisdiction's comments and/or proposed revisions. ABAG is required to accept any proposed revisions that meet the criteria defined in Housing Element Law that would warrant a revision, and modify the earlier determination of housing need. If the proposed revision does not meet Housing Element Law criteria, ABAG must indicate, based upon available data and the accepted planning methodology, why the proposed revision is inconsistent with the earlier determination of housing need.

By October 30, 2000, ABAG responded to those jurisdictions that requested modifications to the RHND allocations. 77 Bay Area jurisdictions responded to the preliminary RHND allocations. From this group, 29 jurisdictions requested revisions to their RHND allocation assignment.

Appendix G contains the Revision Guidelines, Criteria and Definitions used by ABAG to review proposed revisions made by Bay Area jurisdictions. Appendix H contains a table that summarizes each jurisdiction's proposed revision and ABAG staff's recommended action.

Appeal Process

On November 16, 2000, the ABAG Executive Board adopted the final Housing Needs Determinations for Bay Area jurisdictions. This action initiated an appeals process, as required by State Housing Element Law. The appeal process allows for jurisdictions to appeal their share of the RHND allocations, in writing, within 30 days of the final determination by the council of governments (ABAG).

Ten jurisdictions appealed the final determination of housing need by ABAG. The ABAG Executive Board appointed a special committee to hear and decide the outcome of these appeals. The following paragraph describes the criteria used by ABAG to evaluate each appeal.

Appeal Process Guidelines and Criteria

Government code, section 65584 subdivision (c) para. 2 subpara. (A)), states that a jurisdiction shall have the right to at least one appeal following the final approval of the housing need determinations for the region by the ABAG Executive Board. Any appeal made must be based upon the same state identified criteria as used in the Review and Revision process. In addition, ABAG identified the following criteria and guidelines to be included in the Appeal Process:

- Each jurisdiction in the ABAG region will be given one opportunity to appeal the decision by the Executive Board.
- The jurisdiction that is appealing shall identify another recipient (other jurisdiction(s)) willing to incorporate any proposed reduction in housing need.
- Any revision of housing need will be accomplished within the same county as the appealing jurisdiction.
- Previous available information not raised during the 90-day Review and Revision period cannot be presented during the appeals process.

Appeal Hearings

On January 25, 2001, the Appeal Committee met and decided the outcome of all appeals. Appendix I contains a summary of each jurisdiction's appeal and the Appeal Committee's resolution, deciding the outcome of each appeal.

The Appeal Committee denied eight jurisdiction appeals, and approved two revisions to the RHND allocations (City of Alameda, City of Richmond). See Appendix I. The Appeal Committee's actions were forwarded to the Executive Board for final approval and certification at the Board's March 15, 2001 meeting.

The Executive Board reviewed the Appeal Committee decisions regarding each appeal, and voted to accept all of the Committee's actions with the exception of the revision to the City of Alameda's RHND allocations. The Executive Board approved a resolution, certifying the final RHND allocations. This action finalized the 1999-2006 Regional Housing Needs Determination process.

E. RHND Policies and Guidelines

California state law allows ABAG to adopt policies and guidelines that govern the transfer and/or redistribution of RHND allocations, between city and county jurisdictions, when annexation or incorporation of new jurisdictions occurs during the RHND planning timeframe. The following policy establishes the conditions and process for any such redistribution:

Step 1. Filing of Application for Annexation or Incorporation

Upon receipt of notice of filing from LAFCO for a proposed annexation or incorporation, the city and county will jointly notify ABAG of the proposal, and resulting need for a redistribution of RHND allocations between the county and applicant jurisdiction.

Step 2. Discussion with Annexing/Incorporating City

During the course of the annexation/incorporation process, the city and county will negotiate in good faith the number of RHND allocations to be redistributed. The transfer of RHND allocations will be based upon the geographic area that is proposed to be annexed/incorporated. No net reduction in the RHND allocations between the county and the applicant jurisdiction is allowed.

This means that the total number of housing units by income category accepted by the applicant jurisdiction, plus the remaining number of units by income category attributable to the donor county, shall not be less than the original number of units by income category allocated to the county by the RHND process. Other than satisfying this requirement, the county and annexing/incorporating city may negotiate any redistribution of housing need that is mutually acceptable.

If necessary, ABAG can be consulted jointly by the city and county involved in the annexation/incorporation process. ABAG will use the approved RHND methodology to determine the total RHND allocations (by income category) that are applicable to the geographic area being annexed/incorporated. The annexation agreement will reflect this determination as a minimum RHND allocation assignment.

Step 3. Annexation/Incorporation Conditions

The city and county involved in the annexation/incorporation will jointly draft a proposal outlining the conditions and/or agreements covering the transfer of RHND allocations from the county to the annexing/incorporating city. This proposal shall be submitted to ABAG for review and acceptance prior to its final adoption by the jurisdictions involved in the transfer of RHND allocations. Once ABAG has accepted the proposal, the county will request that the RHND allocation conditions/agreements be included in the LAFCO resolution approving the annexation/incorporation.

Step 4. LAFCO Imposition of Conditions

LAFCO imposes the proposed RHND conditions in the resolution approving the annexation/incorporation.

Step 5. Transfer of RHND Allocations

RHND allocations will be transferred from the county to the city as specified in the LAFCO resolution.

Step 6. Housing Elements**6a. County Housing Element**

The county's housing element should describe assumptions, conditions and implications of any change in RHND allocations resulting from the annexation/incorporation. Following the effective date of an approved annexation/incorporation, the county may amend its housing element to reflect the change in RHND allocations.

6b. City Housing Element Amendment (annexation)

If the annexation and accompanying redistribution of RHND allocations between affected jurisdictions occurs after the statutory housing element amendments have been adopted, any city general plan amendment accompanying an annexation should include amendment of the city's housing element to reflect that change.

OR

6c. City Housing Element (incorporation)

If the incorporation and accompanying redistribution of RHND allocations between affected jurisdictions occurs after the statutory housing element amendments have been adopted, the new city will include the RHND allocation transfer into the housing element adopted for the newly incorporated city.

**Step 7.
State HCD Review**

Transfer of RHND allocations for incorporations or annexations pursuant to this policy is subject to the review and approval of HCD for consistency with the approved RHND Plan prior to the implementing action.

Additional Copies of This Report Can be Obtained from:

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