

**CITY OF PIEDMONT
COUNCIL AGENDA REPORT**

MEETING DATE: September 4, 2007

FROM: Barry Miller, Planning Consultant
Kate Black, City Planner

SUBJECT: ABAG's Regional Housing Needs Allocation for the City of Piedmont

RECOMMENDATION:

Consider an appropriate response to the Association of Bay Area Governments objecting to the proposed Regional Housing Needs Allocation for the City of Piedmont.

INTRODUCTION:

Every five to seven years, all cities and counties in the Bay Area participate in the Regional Housing Needs Allocation (RHNA) process. This is a state-mandated program intended to ensure that all jurisdictions do their "fair share" to accommodate affordable housing. The program is administered by the Association of Bay Area Governments (ABAG).

State law requires each city and county to use the RHNA numbers as the foundation for their Housing Elements, the chapter of the general plan addressing affordable housing and other housing issues. Failure to have a state-certified Housing Element has a number of financial and legal consequences, including the potential loss of state funds.

The City of Piedmont's 2002 Housing Element was fully certified in 2003, but must be re-certified in 2009 based on the new RHNA numbers. Consistent with State law, the 2002 Piedmont Housing Element was based on RHNA numbers for 1999-2006. The 2009 update will be based on RHNA numbers that cover 2007-2014. State certification of the Housing Element is not based on the actual construction of affordable housing, but rather proof that *the opportunity* to construct such housing has been provided in the community.

The RHNA for each jurisdiction is calculated using a complex methodology that considers such factors as projected growth, the local jobs-housing balance, available land in each city, water and sewer capacity, and market demand. The methodology for the 2007-2014 assignments was developed with input from jurisdictions across the region. The City of Piedmont participated in this process (May 2006 to December 2006), although the methodology that was ultimately selected did not reflect the city's position on a number of points.

ABAG released the RHNA numbers to jurisdictions for review and comment on July 24, 2007. Comments are due by back to ABAG September 18, 2007.

SUMMARY OF METHODOLOGY AND OUTCOMES:

The RHNA uses a multi-step process:

- First, the Bay Area is assigned an aggregate number of housing units by the State Department of Housing and Community Development (HCD).
- Second, this assignment is distributed to the nine counties and 100+ cities in the region.
- Third, the assignment for each city and county is segmented into four income categories, as follows:
 - Very low (under 50% of areawide median income)¹
 - Low (50-80% of areawide median income)
 - Moderate (80 to 120% of areawide median income)
 - Above Moderate (over 120% of areawide median income)

Each of these steps is described in greater detail below.

Overall Assignment (Step One)

The allocation of units begins with an “assignment” of units from the State Department of Housing and Community Development to the nine-county Bay Area, considering both existing (2006) unmet housing needs and future (2007-2014) needs. This number is based on statewide economic and demographic factors and is approximately 243,000 housing units.

Allocation to Cities and Counties (Step Two)

The method of allocating regional need to individual cities and counties is based on a mathematical equation that consists of weighted factors as follows:

- Projected household growth (45%)
- Existing employment (22.5%)
- Projected employment growth (22.5%)
- Household growth near transit (5%)
- Employment growth near transit (5%)

The RHNA formula adopted by ABAG yields a total assignment of 40 units for Piedmont for 2007-2014. This is lower than the 49 units assigned to the city for 1999-2006, and is the lowest RHNA number among the 33 East Bay cities. In fact, in the nine-county Bay Area, only Belvedere and Ross have lower RHNA numbers (25 and 27 respectively).

¹ 2006 Areawide Median Income for Alameda County was \$83,800 for a family of four.

City of Piedmont staff has no objection to the 40-unit assignment or the methodology used to allocate overall units to jurisdictions. While Piedmont’s land supply is very limited, the City can demonstrate that it has the capacity to accommodate 40 units on vacant and underutilized land (and through second units).

Allocation by Income (Step Three)

The third step in the RHNA process is to disaggregate each city’s assignment into the four income categories. The overall regional number is based on the existing income distribution of Bay Area households as of the 2000 Census. This distribution was 23% very low income, 16% low income, 19% moderate income, and 42% above moderate income.

In contrast to prior RHNA assignments, which reflected the existing income distribution in each city, the 2007-2014 methodology is designed to equalize income distribution across the region. Income allocations give each jurisdiction 175 percent of the difference between their 2000 household income and the region’s 2000 household income. The practical effect is to assign a high share of low and very low income units to the region’s affluent communities and a high share of above moderate income units to its less affluent communities.

For instance, 36 percent of Oakland’s households were in the very low income category in 2000. Applying ABAG’s formula, their RHNA assignment places just 13 percent of the city’s 2007-2014 “needs” in the very low income category. By contrast, 9 percent of Piedmont’s households were in the very low income category in 2000; the resulting RHNA assignment for 2007-2014 is 33 percent.

The income allocation methodology, including the 175% multiplier, was approved by ABAG on January 18, 2007.

A comparison of the RHNA numbers for Piedmont for 1999-2006 and 2007-2014 is provided below. The table also indicates the percentage of units in each income category. The table shows a significant shift in the City’s assignment from above moderate income units to very low and low income units.

	1999-2006		2007-2014	
	Units	Percent of total	Units	Percent of Total
Very Low	6	12%	13	33%
Low	4	8%	10	25%
Moderate	10	20%	11	27%
Above Moderate	29	60%	6	15%
Total	49	100%	40	100%

IMPLICATIONS FOR THE HOUSING ELEMENT

The proposed RHNA assignment will make it very difficult for the City of Piedmont to develop a compliant Housing Element in 2009. The city's low and very low income housing assignment for 2007-2014 has increased by 130 percent compared to the 1999-2006 assignment. In fact, Piedmont's "low/very low" share of 58 percent of its total units is the highest share for any city in the Bay Area.²

State Housing Element reviewers typically use a city's supply of vacant, multi-family residentially zoned land as an indicator of its ability to accommodate low and very low-income households. Multi-family capacity was estimated at 10 units in the 2002 Piedmont Housing Element, based on the PG&E site (8 units, plus a 20% density bonus). This matched the City's 1999-2006 RHNA allocation for low and very low income units. The City's 2002 Housing Element was certified in part due to the availability of this site, and in part due to Piedmont's pro-active secondary unit program and commitment to provide incentives for affordable second units in the future.

Cities do have the option of "transferring" a portion of their RHNA assignment to a willing partner (e.g., another city). However, the transfers must be pro-rated by income so that the overall distribution in each city remains constant (in other words, a city is prohibited from transferring only the lower income portion of its assignment). Transfers are subject to other rules that make them difficult to achieve, and probably an impractical option for Piedmont.

NEXT STEPS:

The City Administrator will be submitting a letter to ABAG objecting to the proposed RHNA income allocation. The letter will address the specific issue of Piedmont's 58 percent low/very low income assignment, as well as broader issues relating to the methodology. It is the City's position that the 175 percent income multiplier (used by ABAG to equalize income in Bay Area cities) is far too high, and will have serious unintended consequences. By targeting affluent cities, the proposed methodology undermines the RHNA process, establishes unrealistic and unattainable outcomes, and ultimately may hinder the region's ability to produce affordable housing. Other cities may be submitting similar objections.

CITY COUNCIL ACTION:

No formal action is requested at this time, other than to direct staff to prepare a letter to ABAG referencing the above-mentioned concerns and any others identified by the Council at the meeting.

Date report prepared: August 29, 2007

² Other East Bay cities with high "low/very low income" assignments include Danville (56%), Orinda (54%), Lafayette (53%), and Moraga (51%). By contrast, Oakland's share is 27%, although this equates to 4,000 housing units.