

CENTER FOR CONTINUING STUDY OF THE CALIFORNIA ECONOMY

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DATE: April 16, 2016
TO: **PTC Members and Staff**
FROM: Stephen Levy
SUBJECT: Regional Housing Projections

This is a written and expanded version of the comments I made at the PTC in oral communications on Wednesday.

There are three official sets of regional housing projections. Two of them are familiar to you and a third is being developed currently. All of the evidence below suggests that the current adopted regional housing projections are low and will be or are being revised upward.

Regional Housing Needs Allocation (RHNA)

Under state law the Department of Housing and Community Development (HCD) gives each regional/metro area planning organization a regional housing needs allocation covering an 8 year period. The regional planning agency (ABAG in our area) then allocates the regional total among local jurisdictions.

This memo covers only the regional allocation.

HCD gave ABAG a regional allocation for the 2014-2022 years in mid-2012 and it was accepted by ABAG.

The regional allocation was based on expected population growth as determined by the state Department of Finance (DOF) and assumptions about vacancy rates, demolitions and second homes. The key factor in translating population growth into housing needs is the projection of household formation rates, which are the tendency of residents in specific age and ethnic groups to form households.

The regional allocations are negotiable with HCD if contradictory technical evidence is presented.

Plan Bay Area (PBA)

Regional planning agencies are required to prepare long-term job, population and housing projections under federal law (to receive federal transportation \$) and state law, SB 375, to provide for adequate housing and to meet emission reduction targets.

The current PBA projections cover the period to 2040 and were adopted by ABAG in July 2013. These projections are accurately reflected in the EIR and other Comp Plan documents.

CCSCE prepared the initial regional projections under contract to ABAG.

Both the RHNA and PBA technical processes are a little more complex than can be easily summarized but I am available to answer questions and clarify as needed. Some of the key methodology points are explained below.

How do the Existing Regional RHNA and PBA Compare?

The regional RHNA was **not** based on the adopted PBA. The regional RHNA was based on regional population projections that were substantially lower than the PBA projections and as a result the regional RHNA housing growth projections, which were translated into local allocations, were lower than if they had been based on the adopted PBA.

In addition both the RHNA and PBA used household formation rate projections that substantially locked in the doubling up that occurred as a result of the recession and low housing production.

There are New PBA Regional Update Projections

A PBA update will be adopted in April 2017 on the existing schedule. New regional projections were released in January 2016.

They are higher than the adopted PBA growth levels and the largest change was in the housing projections as in addition to higher job and population growth, ABAG was required under a legal settlement with the Building Industry Association to add housing for existing commuters from outside the region. These upward projections are modest compared to the 2040 levels but **are an additional upward factor in determining regional housing need into the future.**

CCSCE was not involved except in an advisory role with these updated PBA projections and I do not know the household formation rates that were used though from the results, it appears they still “lock in” most of the existing doubling up.

In addition after the existing regional RHNA was adopted DOF published a new set of regional population projections, which correspond closely to the adopted PBA projections. This occurred as a result of a now followed DOF methodology that requires DOF to consult with and incorporate the job projections of regional planning agencies.

So a major discrepancy between DOF and ABAG population projections as briefly occurred in 2013 was corrected and will not happen again.

The New State Housing Plan

HCD is developing an update to the last state housing plan adopted in 2000. The program is being led by Glen Campora who is and has been the technical lead on the RHNA process for the state.

I serve on the technical advisory committee for the state plan update, have seen the preliminary state housing projections and talked to Glen after the PTC meeting on Wednesday.

As input to the new state housing projections will be new DOF population projections, both of which will also be at county level so can be added to get a Bay Area total. While I have not seen the preliminary new DOF projections, a reasonable assumption is that they will be higher than the existing ones.

The major difference in the new county housing projections is that they do not assume that all the current doubling up will continue. That means that these projections **will not only take account of future population growth but will also provide for catch up**—and for that reason have more housing for a given population level than the existing RHNA or PBA.

Since the new household formation rate projections are being developed by HCD, it seems reasonable to assume that they will be used in the next RHNA and to make assumptions on this basis as to what a higher regional RHNA target for 2030 might look like when considering in scenario 5 as to how best to represent a fair range of household growth to 2030.

I am available to meet on any questions and will certainly inform the PTC and council as new state and regional projections are developed. The state plan will also have policy suggestions.

Finally, I am attaching material about current state legislation to ease restrictions on secondary units.