

**Baumb, Nelly**

---

**From:** Palo Alto Forward <palo.alto.fwd@gmail.com>  
**Sent:** Saturday, August 1, 2020 2:48 PM  
**To:** Council, City; Fine, Adrian; DuBois, Tom; Filseth, Eric (Internal); Kou, Lydia; Cormack, Alison; Tanaka, Greg; Kniss, Liz (internal); Planning Commission  
**Subject:** Agenda Item #11, August 3rd - Summary Title: PBA 2050 / RHNA Update  
**Attachments:** ABAGRHNA-Final060920(r).pdf; RHNA Letter August 2020 (1).pdf

**CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.**

Dear Mayor Fine and Council members,

Palo Alto Forward thanks the staff for the excellent summary of the Bay Area RHNA development process. The material summarized the progress of the ABAG methodology committee discussions regarding allocating the regional total to cities.

As the memo notes, roughly half of the regional allocation is not related to growth but to statutory state requirements, some of which are new to this cycle. I have attached the HCD determination letter so council members can see the contribution of the new factors--reducing the number of overcrowded and cost-burdened households and the contribution of existing factors--moving toward a more "normal" vacancy rate and replacing demolished units as a means to not create a further deficit of housing units.

With regard to the allocation methodology Palo Alto Forward favors the three allocation metrics shown on page 5 of the staff report. These metrics will prioritize communities with access to high opportunity areas and communities with large excesses of jobs versus housing units. Palo Alto Forward supports efforts to increase housing in resource rich cities like ours. The proposal the committee currently favors has a 50% weight for access to high opportunity areas and a 40% weight to job factors including access to transit..

While these allocation factors will result in more units allocated to Palo Alto than the staff proposal, we believe they are the fairest way to allocate new housing. A lower target for Palo Alto will simply shift housing allocations to communities that less meet the equity and job imbalance criteria.

Achieving these goals will be hard for all communities but the Housing Element requirement is to identify sites, zoning and policies to meet the requirements. To that end Palo Alto Forward encourages the council and staff to begin now to think about the Housing Element update, which will require thoughtful and innovative elements no matter what Palo Alto's allocation is.

Gail A. Price  
President, Palo Alto Forward Board

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
**DIVISION OF HOUSING POLICY DEVELOPMENT**

2020 W. El Camino Avenue, Suite 500  
Sacramento, CA 95833  
(916) 263-2911 / FAX (916) 263-7453  
www.hcd.ca.gov



June 9, 2020

Therese W. McMillan, Executive Director  
Association of Bay Area Governments  
375 Beale Street, Suite 700  
San Francisco, CA 94105

Dear Therese W. McMillan,

**RE: Final Regional Housing Need Determination**

This letter provides the Association of Bay Area Governments (ABAG) its final Regional Housing Need Determination. Pursuant to state housing element law (Government Code section 65584, et seq.), the Department of Housing and Community Development (HCD) is required to provide the determination of ABAG's existing and projected housing need.

In assessing ABAG's regional housing need, HCD and ABAG staff completed an extensive consultation process from March 2019 through May 2020 covering the methodology, data sources, and timeline for HCD's determination of the Regional Housing Need. HCD also consulted with Walter Schwarm with the California Department of Finance (DOF) Demographic Research Unit.

Attachment 1 displays the minimum regional housing need determination of **441,176** total units among four income categories for ABAG to distribute among its local governments. Attachment 2 explains the methodology applied pursuant to Gov. Code section 65584.01. In determining ABAG's housing need, HCD considered all the information specified in state housing law (Gov. Code section 65584.01(c)).

As you know, ABAG is responsible for adopting a methodology for RHNA allocation and RHNA Plan for the projection period beginning June 30, 2022 and ending December 31, 2030. Pursuant to Gov. Code section 65584(d), the methodology to prepare ABAG's RHNA plan must further the following objectives:

- (1) Increasing the housing supply and mix of housing types, tenure, and affordability
- (2) Promoting infill development and socioeconomic equity, protecting environmental and agricultural resources, and encouraging efficient development patterns
- (3) Promoting an improved intraregional relationship between jobs and housing
- (4) Balancing disproportionate household income distributions
- (5) Affirmatively furthering fair housing

Pursuant to Gov. Code section 65584.04(d), to the extent data is available, ABAG shall include the factors listed in Gov. Code section 65584.04(d)(1-13) to develop its RHNA

plan, and pursuant to Gov. Code section 65584.04(f), ABAG must explain in writing how each of these factors was incorporated into the RHNA plan methodology and how the methodology furthers the statutory objectives described above. Pursuant to Gov. Code section 65584.04(h), ABAG must submit its draft methodology to HCD for review.

Increasing the availability of affordable homes, ending homelessness, and meeting other housing goals continues to be a priority for the State of California. To support these goals the 2019-20 Budget Act allocated \$250 million for all regions and jurisdictions for planning activities through the Regional Early Action Planning (REAP) and Local Early Action Planning (LEAP) Grant programs. ABAG has \$ 23,966,861 available through the REAP program and HCD applauds ABAG's efforts to engage early on how best to utilize these funds and HCD looks forward to continuing this collaboration. All ABAG jurisdictions are also eligible for LEAP grants and are encouraged to apply to support meeting and exceeding sixth cycle housing element goals. While the SB 2 Planning Grant deadline has passed, ongoing regionally tailored technical assistance is still available through that program.

In addition to these planning resources HCD encourages local governments to consider the many other affordable housing and community development resources available to local governments that can be found at <https://www.hcd.ca.gov/grants-funding/nofas.shtml>

HCD commends ABAG and its leadership in fulfilling its important role in advancing the state's housing, transportation, and environmental goals. ABAG is also recognized for its actions in proactively educating and engaging its board and committees on the RHNA process and the regional housing need, as well as creating tools to aid the public understanding in the process. HCD especially thanks Paul Fassinger, Gillian Adams, Aksel Olsen, Dave Vautin, Bobby Lu, Matt Maloney, and Elizabeth Bulgarin for their significant efforts and assistance. HCD looks forward to its continued partnership with ABAG and its member jurisdictions and assisting ABAG in its planning efforts to accommodate the region's share of housing need.

If HCD can provide any additional assistance, or if you, or your staff, have any questions, please contact Megan Kirkeby, Acting Deputy Director, at [megan.kirkeby@hcd.ca.gov](mailto:megan.kirkeby@hcd.ca.gov) or Tom Brinkhuis, Housing Policy Specialist at (916) 263-6651 or [tom.brinkhuis@hcd.ca.gov](mailto:tom.brinkhuis@hcd.ca.gov).

Sincerely,



Megan Kirkeby  
Acting Deputy Director

Enclosures

## ATTACHMENT 1

### HCD REGIONAL HOUSING NEED DETERMINATION ABAG: June 30, 2022 through December 31, 2030

<u>Income Category</u>	<u>Percent</u>	<u>Housing Unit Need</u>
Very-Low*	25.9%	114,442
Low	14.9%	65,892
Moderate	16.5%	72,712
Above-Moderate	42.6%	188,130
<b>Total</b>	<b>100.0%</b>	<b>441,176</b>
* Extremely-Low	15.5%	Included in Very-Low Category

Notes:

Income Distribution:

*Income categories are prescribed by California Health and Safety Code (Section 50093, et. seq.). Percents are derived based on Census/ACS reported household income brackets and county median income, then adjusted based on the percent of cost-burdened households in the region compared with the percent of cost burdened households nationally.*

## ATTACHMENT 2

### HCD REGIONAL HOUSING NEED DETERMINATION: ABAG June 30, 2021 through December 31, 2030

#### Methodology

<b>ABAG: PROJECTION PERIOD (8.5 years)</b>		
<b>HCD Determined Population, Households, &amp; Housing Unit Need</b>		
Reference No.	Step Taken to Calculate Regional Housing Need	Amount
1.	<b>Population: December 31 2030 (DOF June 30 2030 projection adjusted + 6 months to December 31 2030)</b>	8,273,975
2.	<i>- Group Quarters Population: December 31 2030 (DOF June 30 2030 projection adjusted + 6 months to December 31 2030)</i>	-169,755
3.	<b>Household (HH) Population</b>	8,159,280
4.	<b>Projected Households</b>	<b>3,023,735</b>
5.	+ Vacancy Adjustment (3.27%)	+98,799
6.	+ Overcrowding Adjustment (3.13%)	+94,605
7.	+ Replacement Adjustment (.50%)	+15,120
8.	<i>- Occupied Units (HHs) estimated June 30, 2022</i>	-2,800,185
9.	+ Cost-burden Adjustment	+9,102
<b>Total</b>	<b>6<sup>th</sup> Cycle Regional Housing Need Assessment (RHNA)</b>	<b>441,176</b>

Detailed background data for this chart is available upon request.

#### Explanation and Data Sources

- 1-4. Population, Group Quarters, Household Population, & Projected Households: Pursuant to Gov. Code Section 65584.01, projections were extrapolated from DOF projections. Population reflects total persons. Group Quarter Population reflects persons in a dormitory, group home, institute, military, etc. that do not require residential housing. Household Population reflects persons requiring residential housing. Projected Households reflect the propensity of persons within the Household Population to form households at different rates based on American Community Survey (ACS) trends.
5. Vacancy Adjustment: HCD applies a vacancy adjustment (standard 5% maximum to total projected housing stock) and adjusts the percentage based on the region's current vacancy percentage to provide healthy market vacancies to facilitate housing availability and resident mobility. The adjustment is the difference between standard 5% vacancy rate and regions current vacancy rate based (**1.73%**) on the 2014-2018 ACS data. For ABAG that difference is **3.27%**.
6. Overcrowding Adjustment: In regions where overcrowding is greater than the comparable region's overcrowding rate, or in the absence of comparable region the national overcrowding rate. HCD applies an adjustment based on the amount the regions overcrowding rate (**6.73%**) exceeds the comparable region's rate (**3.60%**). For ABAG that difference is **3.13%**. Data is from the 2014-2018 ACS.
7. Replacement Adjustment: HCD applies a replacement adjustment between .5% and 5% to the total housing stock based on the current 10-year annual average percent of demolitions the region's local government annual reports to Department of Finance (DOF). For ABAG the 10-year annual average multiplied by the length of the projection period is .40%, and the minimum **.50%** adjustment is applied.

8. Occupied Units: This figure reflects DOF's estimate of occupied units at the start of the projection period (June 30, 2022).
9. Cost Burden Adjustment: HCD applies an adjustment to the projected need by comparing the difference in cost-burden by income group for the region to the cost-burden by income group for the comparable regions, as determined by ABAG. The very-low and low income RHNA is increased by the percent difference ( $66.64\% - 66.00\% = .64\%$ ) between the region and the comparable region cost burden rate for households earning 80% of area median income and below, then this difference is applied to very low- and low-income RHNA proportionate to the share of the population these groups currently represent. The moderate and above-moderate income RHNA is increased by the percent difference ( $16.25\% - 13.10\% = 3.15\%$ ) between the region and the comparable region cost burden rate for households earning above 80% Area Median Income, then this difference is applied to moderate and above moderate income RHNA proportionate to the share of the population these groups currently represent. Data is from 2012-2016 CHAS.

# PALO ALTO FORWARD

August 1st, 2020

Re: Item #11, August 3rd - Summary Title: PBA 2050 / RHNA Update

To: Mayor Adrian Fine, and City Council Members

Dear Mayor Fine and Council members,

Palo Alto Forward thanks the staff for the excellent summary of the Bay Area RHNA development process. The material summarized the progress of the ABAG methodology committee discussions regarding allocating the regional total to cities.

As the memo notes, roughly half of the regional allocation is not related to growth but to statutory state requirements, some of which are new to this cycle. I have attached the HCD determination letter so council members can see the contribution of the new factors--reducing the number of overcrowded and cost-burdened households and the contribution of existing factors--moving toward a more "normal" vacancy rate and replacing demolished units as a means to not create a further deficit of housing units.

With regard to the allocation methodology Palo Alto Forward favors the three allocation metrics shown on page 5 of the staff report. These metrics will prioritize communities with access to high opportunity areas and communities with large excesses of jobs versus housing units. Palo Alto Forward supports efforts to increase housing in resource rich cities like ours. The proposal the committee currently favors has a 50% weight for access to high opportunity areas and a 40% weight to job factors including access to transit..

While these allocation factors will result in more units allocated to Palo Alto than the staff proposal, we believe they are the fairest way to allocate new housing. A lower target for Palo Alto will simply shift housing allocations to communities that less meet the equity and job imbalance criteria.

Achieving these goals will be hard for all communities but the Housing Element requirement is to identify sites, zoning and policies to meet the requirements. To that end Palo Alto Forward encourages the council and staff to begin now to think about the Housing Element update, which will require thoughtful and innovative elements no matter what Palo Alto's allocation is.

Gail A. Price

President, Palo Alto Forward Board

## Baumb, Nelly

---

**From:** slevy@ccsce.com  
**Sent:** Saturday, August 1, 2020 12:00 PM  
**To:** Council, City; Planning Commission  
**Cc:** Shikada, Ed; Lait, Jonathan  
**Subject:** council letter on RHNA allocation to jurisdictions

**CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.**

---

Dear Mayor Fine and Council members,

I thank staff for their fine technical memo laying out the regional and sub-regional issues and history with regard to the new RHNA cycle.

I oppose the suggestion that Palo Alto ask for the lowest possible allocation of the regional RHNA need as I read in the current draft letter.

I support the ABAG methodology committee direction shown in the staff memo to allocate an above average share of the regional allocation to communities that are considered "high opportunity" areas (their equity criterion) and to communities with large existing excesses of jobs over housing and also good access to public transit (their jobs criterion).

I find the current letter in deep conflict with the evidence on the relationship of good neighborhoods (high opportunity areas) and education. I find the research of Raj Chetty and Sean Reardon at Stanford compelling on the benefits to children in low income families of being in neighborhoods with good schools and social infrastructure like Palo Alto. I also note that council used this evidence as one piece of their Buena Vista decision and funding.

The implication of the letter is that council prefers to reallocate housing shares to communities that rank well below Palo Alto on high opportunity areas and imbalances of jobs versus housing. This sends a signal both that Palo Alto does not accept the criteria of equity and mitigating jobs--housing imbalances, which is in direct opposition to public council statements and can only be seen as the intent to avoid our fair share responsibility.

However ABAG chooses to allocate the regional total to jurisdictions, Palo Alto will receive a minimum of double the current 5th cycle allocation.

In order to show good faith in what will be a difficult task, I ask council to immediately begin work on the next Housing Element in identifying sites, zoning and policies. Among other things council will need to know how sites such as North Ventura fit into meeting the minimum possible 4,000+ unit goal and what expansions of the policies adopted more than 18 months ago are needed. What role can ADUs and missing middle housing by design play in meeting our RHNA and Housing Element requirements.

### Background

I served on the technical advisory committee advising HCD on the options for incorporating new state laws into the 6th cycle RHNA methodology and have closely followed the ABAG subcommittee discussions--all in a volunteer capacity.

As pointed out in the staff memo, roughly half of the regional allocation was in response to state law addressing existing imbalances and shortages in our housing stock. The HCD determination letter identifies nearly 100,000 units each to address reducing overcrowding and maintaining a healthy vacancy rate that does not put upward pressure on rents and prices.

In general HCD chose application of the allocation criteria that resulted in a lower Bay Area allocation, much lower than if they had used the metrics used for SCAG.

It is important that councils here and around the region understand that the higher cycle 6 regional allocations are not the result of higher projected growth or have anything to do with the Plan Bay Area 2050 growth forecast.

The higher regional need determination is the result of state law adopted by the legislature to redress as best we can, the harm to families and communities from the large existing housing shortages affecting low and middle income residents.

## Baumb, Nelly

---

**From:** Pat Burt <patburt11@gmail.com>  
**Sent:** Monday, August 3, 2020 10:18 AM  
**To:** Council, City  
**Subject:** Aug 3, 2020 Palo Alto City Council Meeting, Item #11

**CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.**

---

### RHNA/SB35 Comments to PACC

Item #11 - PBA 2050/RHNA Update

Dear City Council,

The COVID emergency and recession are having drastic impacts on the regional economy that will be felt for years, including long term changes to work locations, commuting, and housing needs. Yet, unknown to most residents and even many elected officials, cities throughout the Peninsula are about to be hit with a radical double-whammy of state mandates that will trigger replacing historic municipal decision making with new state control over many land use and zoning decisions. The real impacts will be more office buildings along with less housing than is needed from the new offices and little low- or moderate-income housing.

The first mandate, based on Plan Bay Area 2050, is a drastic and unachievable increase in the Regional Housing (RHNA) mandates. It will likely TRIPLE the housing assignment for cities like Palo Alto from 2000 units for the current 8-year period to 6,000 units for each coming period – **about a 20% growth in Palo Alto's population every 8 years.**

The second impact is from SB35, a 2017 law by Scott Wiener that is just now becoming implemented and understood. Historically, cities were required to zone to be able to meet their RHNA requirements, with the state approving their Housing Plans. **SB35 completely changed the requirements. Cities must now issue building permits for their drastically increased requirements.** This is essentially a “trap door” where **communities are virtually guaranteed failure, resulting in state and big developer takeover of our development processes.**

SB35 was billed as “incentivizing” affordable housing. Instead, it penalizes cities for not meeting unachievable mandates. While SB35 purports to focus on affordable housing, **its primary impact will be to increase high-income jobs and high-income housing. It will worsen the jobs/housing imbalance and exacerbate the need for affordable and moderate-income housing.** Meanwhile, in 2018-2019, Palo Alto implemented major zoning incentives for affordable housing over other development. But affordable housing still needs huge subsidies and the city and other resources can only meet a small fraction of those needs. Insufficient public funding from a business tax or increases in impact fees and from the state is what is holding back affordable housing.

Meanwhile, SB35's real impact is to mandate automatic approval of big mixed-use developments that produce high-income housing (with only a small fraction of units being affordable). **These projects will be allowed to include new office development generating more new jobs than the housing component provides,** exacerbating rather than reducing the problems. Worse yet, other recent state legislation limits cities' ability to charge developers the full costs of providing for the infrastructure needed by those developments – schools, parks, public safety, and community services.

The City Council should take the following actions:

- Strengthen its letters to strongly oppose the timing and substance of the ABAG proposals.
- Collaborate with other cities to seek a pause in the Plan Bay area 2050 and RHNA allocation processes while cities contend with the drastic impacts of the COVID emergency. When the economic and work pattern

implications of the COVID Recession become better understood, ABAG must incorporate these updates to the plans.

- Meet with our state legislators to inform them of the actual impacts of the SB35 and request them to take legislative action to correct the law so that it complies with its declared purpose.

The effects of these mandates will be drastic and counterproductive to the important goals of reducing jobs/housing imbalances, promoting jobs near where workers live, and meeting the housing needs of all income levels.

Respectfully,

Pat Burt

## Baumb, Nelly

---

**From:** Greg Schmid <gregschmid@sbcglobal.net>  
**Sent:** Sunday, August 2, 2020 9:36 PM  
**To:** Council, City  
**Subject:** Monday night's meeting  
**Attachments:** Aug 2 Plan Bay Area.docx

**CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.**

---

Here is a note for the Council on Item #11 on the Agenda for Monday August 3.  
Thank you.  
Greg Schmid

PLAN BAY AREA 2050 IS FAILING...  
...STOP IT NOW

MTC's Starting Point

MTC's Plan Bay Area is based on a jobs-driven model. An aggressive jobs forecast is used to target already jobs-rich areas for growth and then translated into population and housing needs.

Plan Bay Area 2040 Completely Missed the Jobs Concentration

One of the secondary goals of Plan Bay Area 2040 was to disperse jobs through the major urban centers of the Bay Area. But they accepted the local businesses goal of concentrating jobs in small areas. They thought they could control and create incentives to reach their moderate dispersion targets. They failed completely.

Measuring the Failure

Look at jobs growth in two areas: the six cities of the original Silicon Valley (Palo Alto, Mountain View, Menlo Park, Sunnyvale, Santa Clara and Cupertino) and the huge population centers around them (San Jose, Oakland and the rest of Alameda County, and Contra Costa County). Plan Bay Area 2040 (2017) used as a driving principal the growth of jobs in already jobs-rich priority development areas.

MTC's growth projections seemed reasonable: growth in the six cities of Silicon Valley would continue high but would proceed at about one-third the rate of jobs growth in the huge population centers around them (San Jose, Oakland and the rest of Alameda County and Contra Costa County). This seemed to be a reasonable growth distribution because the population of Silicon Valley is only one-seventh of the population in those nearby population centers.

But it didn't happen that way. According to the Census Bureau, between 2010-2018 the aggressive concentration of jobs in the jobs-rich areas of Silicon Valley grew ten percent faster than the total new jobs in these population centers around them! Expanding businesses made the decisions.

The Consequences

The consequences for the whole Bay Area were disastrous! Land prices at the center of jobs-growth have sky-rocketed. Median housing costs and rents are now the highest in the country. Income inequality is among the highest in the country and growing the fastest. Traffic and congestion have been growing rapidly. The share of workers using transit fell in Silicon Valley over the last three years before COVID. Workers with young families have been forced to move farther and farther from their jobs. Local control of zoning is under threat. And the areas that need new jobs are not getting them.

MTC Refused to Explore the Issue of Job Concentration

As MTC was developing their new Plan Bay Area 2050, they refused to explore the undeniable consequence of job concentration.

*But the California Code demands that this issue be examined*

The very Code that is cited by MTC for justifying their planning process (California Government Code 65584) states clearly that MTC explore alternative means to achieve “an improved intraregional relationship between jobs and housing, including any imbalances”.

In December, without public discussion, MTC announced that they would not explore the possibility of capping jobs in jobs-rich cities. Instead they are moving ahead with more of the same: rapid jobs growth in jobs-rich areas with housing requirements that exceed the budgets of any but the richest.

### Conclusion

As a City Council, you must stop this process NOW. Businesses believe productivity is highest when companies cluster together. But congestion eventually takes that benefit away. We need to have a public discussion on this trade-off between productivity and congestion, not just blindly assume that businesses are right.

You must demand that MTC follow the Government Code and explore the real reasons behind the jobs/housing imbalances in the Bay Area and alternate ways of working to disperse jobs through the Bay Area. Or explain to the residents of your community why you allowed control over our city to be given over to non-elected bodies like MTC.

Greg Schmid  
August 2, 2020