



Date: May 23, 2011  
To: SCS Housing Methodology Committee  
From: Ken Kirkey, ABAG Planning Director  
Subject: Revised Allocation Methodology – Fair Share Factors

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## **Overview**

At the April 2011 Housing Methodology Committee (HMC), ABAG and MTC staff presented several versions of an initial allocation methodology that attempted to incorporate the sustainability framework that underlies the Bay Area’s Sustainable Communities Strategy (SCS) and the “fair share” principles that are integral to the Regional Housing Needs Allocation (RHNA) process. This memo summarizes the changes made to the allocation methodology based on the feedback provided by the HMC.

## **Revised Allocation Methodology**

In the initial RHNA methodology proposed by ABAG and MTC for 2014-2022, 70 percent of the region’s total housing need will be allocated to the Priority Development Areas (PDAs) and Growth Opportunity Areas identified by local jurisdictions, while the remaining 30 percent of the total housing need will be allocated based on household formation growth.

At the April 2011 meeting, there was broad support from the HMC for using the PDA and Growth Opportunity Area sustainability framework for assigning most of the RHNA allocation to jurisdictions. However, most committee members expressed a desire to see other factors, including school quality, employment, transit, and past RHNA performance, in the methodology for allocating the remaining 30 percent of the total need to jurisdictions.

The revised methodology example retains the use of the PDAs and Growth Opportunities for allocating 70 percent of the total housing need as Part 1: Sustainability Component, and incorporates the suggested additional factors for the remaining 30 percent of need as Part 2: Fair Share Component. The approach used for including each factor is described below.

### **Part 1: Sustainability Component**

Seventy percent of the region’s total housing need is allocated based on the total household growth for each PDA and Growth Opportunity Area over the eight-year RHNA period, as shown in the SCS Preferred Scenario (in this example, we are using the Initial Vision Scenario as a placeholder for the Preferred Scenario). The total amount of growth in a jurisdiction’s PDAs and Growth Opportunity Areas is then compared to the amount of growth forecasted for the jurisdiction based on household formation. Jurisdictions where the growth in PDAs and Growth Opportunity Areas represents more than 125 percent will not receive additional growth, but will retain the growth assigned to these areas. All other jurisdictions will receive additional growth based on the “fair share” factors applied to the remaining 30 percent of total housing need.

## **Part 2: Fair Share Component**

To ensure that each community in the region does its fair share to provide affordable housing, 30 percent of the region's total housing need will be allocated based on household formation growth modified by the factors suggested by the HMC: school quality, employment, transit, and past RHNA performance. Each of these factors is described in more detail below.

### ***School Quality***

The school quality factor includes the Academic Performance Index (API) scores for 2009 for 1400 public elementary and middle schools in the Bay Area. The API scores for each school in a jurisdiction were averaged to provide a single school quality score for each jurisdiction in the region. Each jurisdiction received a "score" based on its average API:

- 900 or above = 5
- From 800 to 899 = 3
- From 700 to 799 = 1

In the allocation methodology, those jurisdictions with a higher average school quality score will receive a higher share of the region's housing need.

### ***Employment***

The employment factor is based on National Establishment Time Series (NETS) data for 2010. The NETS data is gathered by individual business and includes number of jobs, industry type, and location. Staff analyzed the data to determine the number of jobs in each jurisdiction that are within a PDA or Growth Opportunity Area and the number that are located outside one of these areas. Jurisdictions were rated based on the total number of jobs outside of a PDA or Growth Opportunity Area. Only the jobs outside of PDAs or Growth Opportunity Areas were considered because this factor is being used to allocate the 30 percent of total need that has not already been directed to these sustainable locations.

The score for each jurisdiction is assigned as follows:

- More than 40,000 jobs outside of a PDA or Growth Opportunity Area = 5
- Between 20,001 and 40,000 jobs outside of a PDA or Growth Opportunity Area = 4
- Between 10,001 and 20,000 jobs outside of a PDA or Growth Opportunity Area = 3
- Between 5,001 and 10,000 jobs outside of a PDA or Growth Opportunity Area = 2
- Less than 5,001 jobs outside of a PDA or Growth Opportunity Area = 1

Those jurisdictions that have a higher number of jobs outside of PDAs or Growth Opportunity Areas will receive a higher RHNA allocation.

### ***Transit***

The transit factor is based on measures of service frequency and overall coverage for an entire jurisdiction. Service frequency is measured by average daily headways (time in minutes between transit arrivals over a 24-hour weekday period) in 2009 by jurisdiction. The calculation is done at the

intersection level based on how frequently a transit vehicle arrives at that location; therefore, the average headway only takes into account intersections within a jurisdiction that have transit stops. Jurisdictions where the service frequency was higher than the median received a “high” score, while jurisdictions where the service frequency was lower than the median received a “low” score.

Transit coverage is measured by the percent of intersections within a jurisdiction that have transit stops. This information helps avoid overstating the overall availability of transit jurisdiction-wide based on the fact that some jurisdictions have a small number of stops that happen to have frequent transit. Jurisdictions where the service frequency was higher than the median received a “high” score, while jurisdictions where the service frequency was lower than the median received a “low” score.

Jurisdictions were then grouped into four categories, and given a score as shown below:

- High frequency + high coverage = 5
- High frequency + low coverage = 3
- Low frequency + high coverage = 3
- Low frequency + low coverage = 1

Those jurisdictions that have better transit service and coverage will receive a higher RHNA allocation.

### ***RHNA Performance***

This factor evaluates a jurisdiction’s performance in issuing permits to meet its RHNA allocations for very low- and low-income units for the 1999-2006 RHNA period. The scores were calculated using the information included in ABAG’s report *A Place to Call Home: Housing in the San Francisco Bay Area* (August 2007). Jurisdictions were scored on the following scale:

- 0% of RHNA permitted = 5
- 1 – 25% of RHNA permitted = 4
- 26 – 50% of RHNA permitted = 3
- 51 – 75% of RHNA permitted = 2
- 76 – 100% of RHNA permitted = 1
- More than 100% permitted = 0

Those jurisdictions that have permitted less of their past RHNA allocations will receive a higher RHNA allocation for this period. This is the only factor that was not scored on a scale of 1 – 5. The inclusion of a zero score for jurisdictions that permitted more than 100 percent of their RHNA allocations for very low- and low-income households gives this factor slightly more weight in the allocation methodology.

**Combining the Factors**

Each jurisdiction's scores on the four factors listed above are summed to determine their total factor score. For jurisdictions throughout the region, the data analysis determined that the total factor scores range from 3 to 16. The allocation adjustment assigned to each score is as follows:

Score	Allocation Adjustment
3	-80%
4	-70%
5	-60%
6	-50%
7	-40%
8	-30%
9	-20%
10	-10%
11	0%
12	10%
13	20%
14	30%
15	40%
16	50%

Depending on a jurisdiction's score, the corresponding allocation adjustment is applied to the amount of growth assigned to the areas outside of PDAs or Growth Opportunity Areas (from the Preferred Scenario plus the redistribution of growth from jurisdictions that have already been assigned more than 125 percent of their household formation growth).

The amount of growth assigned to the areas outside PDAs or Growth Opportunity Areas will be reduced for jurisdictions that have total factor scores below 11 (the median score for all jurisdictions). The allocations will increase for jurisdictions with higher total factor scores (above 11). Each county will retain its control total for the growth outside of PDAs and/or Growth Opportunity Areas.

**Part 3: Determining the Total Allocation**

A jurisdiction's total RHNA allocation is the sum of the Sustainability Component (units assigned to the PDAs and Growth Opportunity Areas) plus the Fair Share Component (units assigned to the areas outside of those sustainable places).