

# MEMORANDUM

Building Safety and Housing Department



**DATE:** January 28, 2021

**TO:** Mayor and Councilmembers

**THROUGH:** Steve McHarris, City Manager *Steve McHarris*

**FROM:** Sharon Goei, Building Safety and Housing Director

**SUBJECT:** Update on Draft Regional Housing Needs Allocation (RHNA)

## Background

Since 1969, California law has required all cities and counties to plan to meet housing goals for residents at all income levels. Every eight years, the California Department of Finance forecasts population and demographic trends and how much new housing construction will be needed. Based on these projections, the California Department of Housing and Community Development (HCD) issues a Regional Housing Needs Determination (RHND) to each region. The RHND is the number of affordable and market rate housing units that need to be permitted for construction during the next eight-year cycle. After HCD allocates RHND to each of the nineteen regional council of governments (COG) and the twenty countywide regions not represented by COGs, each region allocates the projected growth to local jurisdictions within that region.

For the nine-county Bay Area, the COG is the Association of Bay Area Governments (ABAG). In June 2020, ABAG received from HCD the 2023-2031 RHND of 441,176 total units, a figure that is 2.3 times larger than the region's previous RHND of 187,990. This larger housing goal is due to population and job growth, the long-term underproduction of housing statewide, and recent state law changes.

ABAG is responsible for creating a methodology that distributes the RHND among the Bay Area's local jurisdictions. This process incorporates both affordable and market rate housing and is known as the Regional Housing Needs Allocation (RHNA). ABAG has some flexibility in how it allocates housing growth to Bay Area jurisdictions, but its RHNA methodology must meet several important statutory requirements that are summarized below:

1. Increase the housing supply and mix of housing types, tenure, and affordability;
2. Promote infill development and socioeconomic equity, protecting environmental and agricultural resources, and encouraging efficient development patterns;
3. Promote an improved intraregional relationship between jobs and housing;
4. Balance disproportionate household income distributions;
5. Affirmatively further fair housing through land use and more (AB 686, 2018); and
6. Must be consistent with Plan Bay Area 2050, the region's long-term plan to reduce greenhouse gas emissions, reduce traffic congestion, and to create equitable and livable communities.

On November 19, 2020, the City published a [Memorandum, "Update on Regional Housing Needs Allocation \(RHNA\), 2023-2031 Housing Element, and Assessment of Fair Housing."](#) with additional details on the RHNA process and noted a draft RHNA allocation for Milpitas of 6,579 total housing units. Please refer to the memorandum for further details. Staff had noted that those RHNA numbers were still in draft form and likely to change due to new strategies that were added for the Plan Bay Area 2050 regional land use and transportation plan.

This memorandum explains changes that have occurred in the RHNA process since November 2020.

**Update**

On January 21, 2021, the ABAG Executive Board voted on two important items that will further shape the next RHNA allocation for Milpitas.

The first action was to approve the Final Blueprint for Plan Bay Area 2050, a regional 30-year plan to make the Bay Area more affordable, connected, diverse, healthy, and vibrant for all. The Board adopted the Final Blueprint for Plan Bay Area 2050 as the preferred alternative for the Environmental Impact Report. Due to updated data in the model and the addition of new strategies in the Final Blueprint pushing more growth in areas with transit stations, Milpitas received a 2% increase (134 units) compared to prior draft numbers. The below chart compares these numbers:

Income Category	2014-2022 RHNA	2023-2031 Draft RHNA (Nov. 2020)	2023-2031 Draft RHNA (Revised Jan. 21, 2021)
Very Low	1,004	1,653	<b>1,685</b>
Low	570	952	<b>970</b>
Moderate	565	1,108	<b>1,131</b>
Above Moderate	1,151	2,866	<b>2,927</b>
Total	3,290	6,579	<b>6,713</b>

The second action of the ABAG Executive Board was to approve the draft RHNA methodology with an “Equity Adjustment” proposed by members of the ABAG Housing Methodology Committee. The first adjustment flags jurisdictions that score highly on measures of diversity as compared to the larger Bay Area and on the amount of higher income residents. This process flagged 49 jurisdictions including Milpitas. The equity adjustment requires that these 49 jurisdictions receive an allocation of very low- and low-income units that is at least proportional to their share of the region’s total households in 2020. This means that to have a proportional allocation, a city with 2 percent of the Bay Area’s households in 2020 would be expected to plan for at least 2 percent of the Bay Area’s very low- and low-income housing growth. While Milpitas was flagged as a jurisdiction with high income and low diversity relative to the region, it already had a proportionally high RHNA allocation of lower-income units and thus did not receive an increase from the “Equity Adjustment.”

ABAG will submit the draft RHNA methodology to HCD for review in late January or early February 2021. ABAG will use the HCD’s feedback to develop a final methodology and draft RHNA allocation in spring 2021. During that same time, ABAG will work on the Environmental Impact Report for Plan Bay Area 2050. Release of the draft RHNA allocation will be followed by an appeals period starting in summer 2021, with the final RHNA allocation assigned to each of the Bay Area’s local governments in late 2021. ABAG and HCD have advised local jurisdictions to begin Housing Element planning now as the numbers are unlikely to change dramatically in the coming year.

ABAG is offering substantial planning and technical assistance grants to help jurisdictions with Housing Element planning. Milpitas Planning staff, in coordination with Housing, is currently working on an application for Regional Early Action Planning (REAP) and Priority Development Area (PDA) planning grants. Housing staff is also procuring consultant services for the preparation of an Assessment of Fair Housing as part of the upcoming Housing Element update. Staff will continue to monitor the RHNA process and will work with the Cities Association Planning Collaborative to respond to any additional changes in the allocation for Santa Clara County cities.