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Introduction:

MBEP's housing initiative is aimed at promoting the increase of housing at all income levels in the Monterey Bay region via data driven policies, funding solutions, and advocacy.

The purpose of this brief is to bring clarity to the methodology options that are best suited to equitably meet the housing demands of our region, as well as the intricate issues we face. MBEP's goal is to play a proactive role in convening housing advocates to build a common understanding and developing housing production oriented recommendations for consideration by local government staff and elected officials.

The Regional Housing Needs Assessment (RHNA) is one of the tools available to the State of California to address our state-wide housing crisis. RHNA requires that jurisdictions adequately plan for existing and future growth within their respective region. The RHNA process can be summed up in four phases, which include: 1) Regional Housing Needs Determination (RHND), 2) RHNA methodology, 3) RHNA plan, and 4) Housing Element updates. For additional information on the Housing Element and all it entails, please refer to [MBEP's Housing Element FAQ](#).

The Association of Monterey Bay Area Governments (AMBAG) prepares the RHNA plan for Monterey and Santa Cruz counties. The Council of San Benito County Governments (SBCOG) assumes the same role as AMBAG, but for San Benito County. As of the writing of this brief, AMBAG is in Phase 2 - preparing a draft methodology which will be used to allocate a share of the Regional Housing Needs Determination (RHND) to each locality within AMBAG. SBCOG is recently received its Regional Housing Needs Determination from HCD, and is beginning to embark on Phase 2.

Overview:

Historically, the Monterey Bay Region has fallen short of permitting the units needed in order to fulfill the RHNA numbers stipulated for each jurisdiction. As of the latest state reporting period ending July 2021, AMBAG has only met 58.8% of its 5th Housing Element Cycle RHNA allocation, which spans 2014-2023. Further analysis determined that jurisdictions defined as high opportunity areas by the California Department of Housing and Community Development were least likely to be on track to meet their very low and low income RHNA targets.¹ Of the six jurisdictions in AMBAG that have a minimum of three high opportunity areas within them, they were cumulatively found to have only produced 11.94% of AMBAG's overall RHNA

¹ "2021 TCAC/HCD Opportunity Map." *Othering & Belonging Institute*, belonging.berkeley.edu/2021-tcac-opportunity-map.



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allocation.² Of note is that between all six jurisdictions in AMBAG that have a minimum of three high opportunity areas tracts within them, they have collectively only permitted 294 very low income and low income units - 7% of AMBAG's allocation for very low income and low income units (4,155 total very low and low income goal). We must continue to track and evaluate the specific practices that have led to high opportunity areas within our region underperforming, especially when it comes to very low income and low income units.

Within the past couple of years, the state of California passed a number of bills aimed at reforming the RHNA process, via adequately accounting for overcrowded and cost burdened households when projecting housing needs (SB 828), adding a new requirement that RHNA plans affirmatively further fair housing (AB 1771), and granting the California Department of Housing and Community Development new authority to determine whether each jurisdiction's allocation plan furthers the five statutory objectives, instead of simply acting consistent with them (AB 686).³

As a result of HCD now taking both existing and project housing needs into account when determining the Regional Housing Determination for each COG, the determinations under the 6th Housing Element cycle have turned out to be significantly higher than past determinations. The final regional housing need determination for AMBAG is 33,274 units across four income categories - very-low (extremely-low units are included within this category), low, moderate, and above-moderate.⁴ This is a 219% increase from AMBAG's total 5th Housing Element cycle RHNA allocation of 10,430. As for SBCOG, their final regional housing need determination for the 6th Housing Element cycle is 5,005 units across the four income categories of very-low (extremely-low units are included within this category), low, moderate, and above-moderate.⁵ This amounts to a 128% increase from SBCOG's total 5th Housing Element cycle RHNA allocation of 2,194.

² *Annual Progress Report Dashboard*. California Department of Housing and Community Development. (2021, July 30).

<https://app.powerbigov.us/view?r=eyJrIjoiMDA2YjBmNTItYzYwNS00ZDdiLTNmMGMtYmFhMzc1YTAzMDM4liwidCI6IjJiODI4NjQ2LWlwMzctNGZINy04NDE1LWU5MzVjZDM0Y2Y5NiJ9&pageName=ReportSection3da4504e0949a7b7a0b0>.

³ Osterberg, Annelise. "Furthering Fair Housing through the RHNA Process in California." *Terner Center*, 25 May 2021, ternercenter.berkeley.edu/research-and-policy/furthering-fair-housing-through-the-rhna-process-in-california/

⁴ California Department of Housing and Community Development. "AMBAG Final Regional Housing Need Determination." *AMBAG*, www.ambag.org/sites/default/files/2021-09/AMBAG%20RHNA%20Determination%2008.31.21_PDF.pdf.

⁵ California Department of Housing and Community Development. "Regional Housing Need Allocation Slides." *San Benito COG*, Sept. 2021, sanbenitocog.org/wp-content/uploads/2021/09/Regional-Housing-Need-Assessment-SanBenito.pdf.



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Now that AMBAG has received its RHND from HCD, it is tasked with determining the methodology that will be utilized to allocate the Monterey Bay Region's housing need across jurisdictions. The priority factors AMBAG has identified in developing its methodology are: regional growth forecast, employment, transit, resiliency, and affirmatively furthering fair housing (AFFH). Of note is that the AFFH allocation approach does not affect the number of units a jurisdiction is assigned - it only adjusts the share of allocation for very low & low income units.

Methodology Approach Case Study:

In order to offer a view into a comparable region in the state, the methodology the Santa Barbara County Association of Governments (SBCAG) adopted will be broken down. Similar to AMBAG in that SBCAG is comprised of subregions that are distinct from one another, SBCAG chose to divide their allocation between the North County and South Coast subregions in order to focus on the region's sub-regional jobs-housing imbalance. Afterwards, a jobs-balance allocation method was applied, which includes a 60% weighing on current jobs, and a 40% weighing on forecasted 2020-2030 jobs from SBCAG's Regional Growth Forecast. The result of this first step allocated 60% of the region's RHNA determination to South Coast jurisdictions as this subregion is host to 60% of the region's current jobs. The remaining 40% of the RHNA determination was allocated to North County jurisdictions.

Subsequently, SBCAG elected to distribute the subregional allocations to jurisdictions based on equal weighting (50%) for both overcrowding and cost burden. Lastly, SBCAG elected to have the methodology adjusted per RHNA's four income categories. This adjustment made it so that any jurisdiction with a high share of housing from a specific income category would receive a lower proportion of units of that very income category. As a result of this strong equity adjustment, 75% of the lower income RHNA figure was allocated towards high opportunity areas with access to jobs.⁶

The methodology approach SBCAG opted to move forward with ought to be further explored by AMBAG as our respective regions are both distinct subregions in which one approach would not adequately take into account the intricacies underlying each subregion. A strong equity adjustment similar to the one SBCAG implemented should also be highly considered by

⁶ California Department of Housing and Community Development. "HCD Review of SBCAG Draft Regional Housing Need Allocation (RHNA) Methodology." SBCAG, 16 Feb. 2021, www.sbcag.org/uploads/2/4/5/4/24540302/sbcag_rhna_methodology_hcdfindings_feb2020_final.pdf.



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AMBAG in order for high resource areas within AMBAG's jurisdiction to build their fair share of very low and low income units.

Recommendations to Consider:

Farmworker Housing

The Monterey Bay Area region is distinct from various regions in the state in that it is comprised of a multi billion dollar agricultural industry primarily concentrated in the Salinas Valley, as well as a booming tourism industry in the coastal regions of the Monterey Peninsula and Santa Cruz. On the point of economic drivers within the Monterey Bay Region, it is imperative that AMBAG specifically account for the housing needs of farmworkers, especially when factoring in the significant rates of overcrowding in our region when it comes to this special needs population. According to the Farmworker Housing Study and Action Plan for Salinas Valley and Pajaro Valley, farmworker households were found to be occupied at 7 People Per Dwelling (PPD) to the average PPD of 3.23 in Monterey County, and 2.60 PPD in Santa Cruz County.⁷ It is recommended that AMBAG staff explore incorporation of a factor allocating very low & low income farmworker housing units throughout the Salinas Valley jurisdictions, Watsonville, and unincorporated Monterey & Santa Cruz counties. AMBAG staff also ought to consider measures that can be taken to address the jobs-housing imbalance prevalent within coastal areas of our region with large hospitality and service sector employees.

Affirmatively Furthering Fair Housing

Another large question to consider is whether AMBAG's methodology is effectively incorporating the Affirmatively Furthering Fair Housing factor. As it currently stands, the Affirmatively Furthering Fair Housing metric AMBAG is utilizing does not affect the total number of housing units a jurisdiction is allocated - it is simply used as a shifting mechanism to adjust the share of very low & low income units a jurisdiction receives. Santa Cruz YIMBY has flagged this usage of the Affirmatively Furthering Fair Housing metric as a concern as it would in effect assign more market rate units to low opportunity communities, which has the potential to lead to gentrification. AMBAG staff ought to review and take into consideration Affirmatively Furthering Fair Housing factors other COGs in the state have utilized that have been shown to produce larger lower income RHNA allocations within high opportunity areas, such as the strong AFFH factors SBCAG and SCAG developed into their methodologies. As stated on the previous page of this brief, SBCAG was able to have 75% of the lower income RHNA numbers allocated

⁷ California Institute for Rural Studies. *Farmworker Housing Study and Action Plan for Salinas Valley and Pajaro Valley*.
[www.co.monterey.ca.us/home/showdocument?id=63729&mc_cid=099efd8342&mc_eid=\[UNIQID\]](http://www.co.monterey.ca.us/home/showdocument?id=63729&mc_cid=099efd8342&mc_eid=[UNIQID]).



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towards high opportunity areas. As for SCAG, this COG was able to allocate 95% of their lower income RHNA figures to high and highest resource areas (with the exception of the cities of Industry and Vernon) due to their strong AFFH factor in their methodology.⁸

Water for Housing

Lastly, a distinct issue that AMBAG must take into consideration when developing the RHNA methodology is that of the water supply problem the Monterey Peninsula is faced with. While AMBAG chose to adjust the RHNA allocation of cities within the Monterey Peninsula downwards during the 5th Housing Element cycle, we urge AMBAG to explore options that would not decrease the RHNA allocations of jurisdictions in the Monterey Peninsula, especially as most high opportunity areas within Monterey County are located within the Monterey Peninsula. Detailed in length in [MBEP's Study on the Impact of Water on Housing Development in the Monterey Peninsula](#), a possible solution would be for AMBAG to develop an alternative distribution of the RHNA numbers in order to assign additional units to Peninsula jurisdictions once the Carmel River Cease and Desist order is lifted by the deadline the California State Water Resources Control Board has imposed of December 31st, 2021.⁹ It is equally important to acknowledge that while water is often cited as a barrier to the production of new housing in the Monterey Peninsula, it is not the main, nor the only barrier to housing development in these communities. Such barriers include community opposition to high density housing, high costs of construction on new housing development, and there not existing a guaranteed source of local affordable housing financing - to name a few. Establishing solutions to combat these challenges well before a new supply of water is available must be accomplished in order for jurisdictions to be well positioned to take advantage, and partner with developers to build housing without any delays.

Conclusion:

The RHNA methodology established by AMBAG must address the housing demands of Monterey Bay residents, both existing and projected, as well as the unique issues we face. Incorporating the considerations above including a strong Affirmatively Furthering Fair Housing factor, adequately accounting for farmworker & hospitality service housing needs, and making production oriented adjustments regarding the Monterey Peninsula's water challenges are vital

⁸ California Department of Housing and Community Development. "HCD Review of SCAG Draft Regional Housing Need Allocation (RHNA) Methodology." SCAG, 13 Jan. 2020, scag.ca.gov/sites/main/files/file-attachments/hcd-review-rc-approved-draft-rhna-methodology.pdf?1602190239.

⁹ Ostovar, Abby. "A Study on the Impact of Water on Housing Development on the Monterey Peninsula." *Monterey Bay Economic Partnership*, Mar. 2020, mbep.biz/wp-content/uploads/2020/04/Housing-and-Water-Blue-Paper.pdf.



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when equitably planning for the future of our region. Once AMBAG and SBCOG have established their respective methodologies, they will be used to allocate a share of the Regional Housing Needs Determination to each locality that resides within AMBAG and SBCOG. After this step has been completed, each jurisdiction will have to create a Housing Element, which is required to detail how the allocated number of units will be accommodated, and any zoning changes that will need to be made to account for the units stipulated under RHNA. MBEP will be involved throughout the duration of the duration of the RHNA process, and urges advocacy groups and community members to become involved in this undertaking that directly shapes the future of our region.

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