

Metropolitan Transportation Commission
MTC Planning Committee

May 10, 2024

Agenda Item 8a

Regional Housing Needs Allocation (RHNA) Cycle 5 Bay Area Residential Building Permit Activity

Subject:

Summary of the number of housing permits issued in the Bay Area during the 5th Cycle of the RHNA (2015-2023), based on data collected from the Annual Progress Reports (APRs) submitted by local governments.

Background:

Since 1969, California has required that all local governments adequately plan to meet the housing needs of everyone in the community. (Government Code Section 65400.) This is accomplished through the adoption of local Housing Elements every eight years, which must plan for new housing to accommodate the jurisdiction's RHNA targets at a variety of income levels. The 5th RHNA Cycle in the Bay Area began in January 2015 and ended in January 2023. Housing Elements are subject to regulatory oversight by the California Department of Housing and Community Development (HCD). Local jurisdictions document their progress towards achieving their RHNA numbers by submitting APRs to HCD that contain information about residential dwelling units permitted within their jurisdictions. The data in this report is based on APRs submitted by local jurisdictions to HCD.

Bay Area Building Permit Activity

The 2015-2023 5th Cycle Regional Housing Needs Determination (RHND) from HCD assigned the Bay Area a total of 187,990 units across four income categories: very low-income (0-50% of Area Median Income or AMI), low-income (50-80% of AMI), moderate-income (80-120% of AMI), and above moderate-income (over 120% of AMI). During the Bay Area's 5th RHNA Cycle, the region permitted 217,865 units, or 116% of the RHND. However, the data show that the needs of lower-income and moderate-income households were not met as the region disproportionately produced market-rate housing. The following table summarizes the region's performance for each income category, with a more detailed jurisdiction-level breakdown included at **Attachment A**.

Income Targets	2015-2023 RHNA Cycle 5	2015-2023 Units Permitted	% RHNA Permitted
Very Low	46,680	18,751	40%
Low	28,940	16,025	55%
Moderate	33,420	20,071	60%
Above Moderate	78,950	163,018	203%
Total	187,990	217,865	116%

Certificates of Occupancy and the Location of New Development

Starting in 2018, HCD began to collect data for certificates of occupancy, which reflect new homes that have completed construction. Previously, HCD collected data only on units permitted (summarized in the prior section), which represent units that have completed the entitlement process but do not reflect the number of units built and available for occupancy. Since HCD started to collect data on certificates of occupancy (2018-2023), 98,977 new homes received certificates – while 131,239 units were permitted during the same period. Of those units that received certificates of occupancy, 66% (65,309 units) were built in Priority Development Areas (PDAs). By way of comparison, PDAs account for only 3% of the land zoned for housing across the region. Notably, San Francisco’s 21,940 units and Oakland’s 11,783 units comprise over 50% of all the new units that received certificates of occupancy in PDAs during this period. Proportionally more affordable housing was built within PDAs. While 66% of all units that received certificates of occupancy between 2018 and 2023 were built in PDAs, 72% of all very low- and low-income units built during this period were in PDAs. Furthermore, 18% of the homes built in PDAs were deed-restricted units affordable to very low-, low-, or moderate-income households, compared to only 9% of the units built outside of PDAs.

Impacts of State Housing Legislation

Since 2016, the state legislature has passed a series of regulations limiting the restrictions that cities and counties can impose on new accessory dwelling units (ADUs). The state legislation, which includes various forms of streamlining and by-right approvals, has resulted in year-to-year increases in ADUs permitted across the region. In 2015 there were approximately 500 ADUs permitted and reported by local jurisdictions in their APRs, whereas in 2022 the region permitted over 4,400 ADUs.

Similarly, Senate Bill 35 was passed by the California legislature in 2017 and allows qualified multifamily infill projects to go through an expedited housing approval process in jurisdictions that are not on track to meet their housing production goals. Eligible projects must provide a minimum share of affordable units, follow certain labor provisions, and be consistent with local planning standards. In 2019 there were six SB 35 applications that led to 116 new units permitted, including 77 very low-income units and 34 low-income units. Just three years later, in 2022, 1,397 units were permitted using SB 35, including 652 very low-income units and 512 low-income units, along with 138 moderate-income units.

6th RHNA Cycle (2023-2031) Challenges and Opportunities:

For the 6th Cycle RHNA process which extends to 2031, HCD assigned the Bay Area a target of 441,175 total units, more than double the number for the recently concluded 5th Cycle. The larger allocation was driven by changes in state law requiring HCD to account for unmet existing need in addition to projected future housing need, along with several other factors. The Bay Area’s 6th Cycle RHNA targets for each income level, compared to the 5th Cycle RHNA targets and performance, are summarized below:

Income Targets	2015-2023 Cycle 5 RHND	2015-2023 Units Permitted	2023 – 2032 Cycle 6 RHND
Very low-income	46,680	18,751	114,442
Low-income	28,940	16,025	65,892
Moderate-income	33,420	20,071	72,712
Above moderate-income	78,950	163,018	188,130
Total	187,990	217,865	441,176

In addition to the large increase in the region's allocation, the challenge to meet Cycle 6 RHNA targets is compounded by a variety of factors including changing market conditions creating economic uncertainty and local government staffing shortages. Meeting the region's affordable housing goals will be especially difficult given the dramatically increased scale of the need and the inadequate supply of local, state and federal subsidies.

Despite these headwinds, the region is working to create opportunities for more housing at every level. Local jurisdictions have identified zoning and policy reforms for implementation in their Housing Elements designed to remove barriers to new housing and accommodate growth. This more favorable regulatory environment may yield an increase in new homes. Regionally, under consideration by the Bay Area Housing Finance Authority and ABAG is a potential \$20 billion regional housing bond that could provide once-in-a-generation resources to produce up to 72,000 homes affordable to lower-income households. If approved, the bond could double what was produced in the last RHNA cycle for low and very low-income households.

Recommendations:

Informational

Attachments:

- Attachment A: Table of RHNA Cycle 5 (2015-2023) Building Permit Activity by Jurisdiction
- Attachment B: PowerPoint



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